

A bill for an act

relating to the financing of state and local government; making technical, policy, administrative, enforcement, and clarifying changes to individual income, corporate franchise, estate, sales and use, lodging, gross receipts, cigarette, tobacco, insurance, property, credits, payments, minerals, petroleum, local taxes, local government aid, job opportunity building zones, emergency debt certificates, and various taxes and tax-related provisions; providing sales tax exemptions; clarifying nexus standards for sales and income taxes; authorizing local taxes; specifying duties of assessors; tax increment financing and local development authorities; tax-forfeited lands; increasing and modifying certain borrowing authorities; modifying bond allocation provisions; requiring a study; appropriating money to the cash flow account; amending Minnesota Statutes 2008, sections 60A.209, subdivision 1; 82B.035, subdivision 2; 103D.335, subdivision 17; 270.075, subdivision 1; 270.41, subdivision 5; 270C.34, subdivision 1; 270C.445, by adding a subdivision; 270C.52, subdivision 2; 270C.87; 270C.94, subdivision 3; 272.02, subdivision 31; 272.0213; 272.025, subdivisions 1, 3; 272.029, subdivisions 4, 7; 273.061, subdivisions 7, 8; 273.113, subdivision 3; 273.124, subdivision 14; 273.13, subdivision 22; 273.1392; 275.71, subdivisions 4, 5; 276.02; 279.01, subdivision 3; 279.025; 279.37, subdivision 1; 282.01, subdivisions 1, 1a, 1b, 1c, 1d, 2, 3, 4, 7, 7a, by adding subdivisions; 289A.08, subdivision 7; 289A.09, subdivision 2; 289A.10, subdivision 1; 289A.12, subdivision 14; 289A.30, subdivision 2; 289A.50, subdivisions 2, 4; 289A.60, subdivision 7; 290.014, subdivision 2; 290.067, subdivision 1; 290.0921, subdivision 3; 290.17, subdivision 2; 290.21, subdivision 4; 295.55, subdivisions 2, 3; 297A.61, subdivisions 3, 4, by adding a subdivision; 297A.62, as amended; 297A.665; 297A.68, subdivision 39, by adding a subdivision; 297A.70, subdivisions 8, 13; 297A.71, subdivision 23, by adding a subdivision; 297A.75, subdivision 3; 297A.995, subdivisions 10, 11; 297F.01, subdivision 22a; 297F.04, by adding a subdivision; 297F.07, subdivision 4; 297F.25, subdivision 1; 297I.01, subdivision 9; 297I.05, subdivision 7; 297I.30, subdivisions 1, 2, 7, 8; 297I.40, subdivisions 1, 5; 297I.65, by adding a subdivision; 298.282, subdivision 1; 373.40, subdivision 1; 383B.79, subdivision 5; 469.101, subdivision 1; 469.1763, subdivision 2; 469.319, subdivision 5; 469.3192; 469.3193; 473.39, by adding a subdivision; 474A.04, subdivision 6; 474A.091, subdivision 3; 477A.17; Minnesota Statutes 2009 Supplement, sections 134.34, subdivision 4; 273.111, subdivisions 3a, 4; 273.114, subdivision 2; 273.124, subdivision 3a; 273.13, subdivisions 23, 25; 275.065, subdivision 3; 275.70, subdivision 5, as amended; 276.04, subdivision 2; 289A.18, subdivision 1; 290.01, subdivisions 19a, 19b, as amended, 19d;

290.06, subdivision 2c; 290.0671, subdivision 1; 290.091, subdivision 2; 291.005, subdivision 1, as amended; 297A.75, subdivisions 1, 2; 297I.35, subdivision 2; 475.755; 477A.013, subdivision 8; Laws 1999, chapter 243, article 4, section 18, subdivisions 3, as amended, 4; Laws 2001, First Special Session chapter 5, article 3, section 50, as amended; Laws 2002, chapter 377, article 3, section 25, as amended; Laws 2006, chapter 259, article 3, section 12, subdivisions 3, as amended, 4, 5; Laws 2009, chapter 88, article 4, sections 5; 23, subdivision 4; Laws 2010, chapter 216, sections 3, subdivision 6; by adding subdivisions; 4, subdivisions 1, 2, 4, 6, 7, 8; 58; proposing coding for new law in Minnesota Statutes, chapters 290; 296A; 524; 645; repealing Minnesota Statutes 2008, sections 282.01, subdivisions 9, 10, 11; 297I.30, subdivisions 4, 5, 6; 383A.76; Laws 2010, chapter 215, article 9, section 3.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

## ARTICLE 1

### INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2008, section 270C.445, is amended by adding a subdivision to read:

Subd. 5c. **Homeless prevention and food shelf checkoff.** A tax preparer must give written notice of the option to contribute to the homeless prevention and food shelf management account in sections 290.433 and 290.434 to corporate clients that file an income tax return and to individual clients who file an income tax return or property tax refund claim form. This notification must be included with information sent to the client at the same time as the preliminary worksheets or other documents used in preparing the client's return and must include a line for displaying contributions.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2009 and before January 1, 2013.

Sec. 2. Minnesota Statutes 2008, section 289A.08, subdivision 7, is amended to read:

**Subd. 7. Composite income tax returns for nonresident partners, shareholders, and beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to file a composite return and to pay the tax on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses, Social Security numbers, income allocation, and tax liability for the nonresident partners electing to be covered by the composite return.

(b) The computation of a partner's tax liability must be determined by multiplying the income allocated to that partner by the highest rate used to determine the tax liability for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard deductions, or personal exemptions are not allowed.

(c) The partnership must submit a request to use this composite return filing method for nonresident partners. The requesting partnership must file a composite return in the form prescribed by the commissioner of revenue. The filing of a composite return is considered a request to use the composite return filing method.

(d) The electing partner must not have any Minnesota source income other than the income from the partnership and other electing partnerships. If it is determined that the electing partner has other Minnesota source income, the inclusion of the income and tax liability for that partner under this provision will not constitute a return to satisfy the requirements of subdivision 1. The tax paid for the individual as part of the composite return is allowed as a payment of the tax by the individual on the date on which the composite return payment was made. If the electing nonresident partner has no other Minnesota source income, filing of the composite return is a return for purposes of subdivision 1.

(e) This subdivision does not negate the requirement that an individual pay estimated tax if the individual's liability would exceed the requirements set forth in section 289A.25. A composite estimate may, however, be filed in a manner similar to and containing the information required under paragraph (a).

(f) If an electing partner's share of the partnership's gross income from Minnesota sources is less than the filing requirements for a nonresident under this subdivision, the tax liability is zero. However, a statement showing the partner's share of gross income must be included as part of the composite return.

(g) The election provided in this subdivision is only available to a partner who has no other Minnesota source income and who is either (1) a full-year nonresident individual or (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the Internal Revenue Code.

(h) A corporation defined in section 290.9725 and its nonresident shareholders may make an election under this paragraph. The provisions covering the partnership apply to the corporation and the provisions applying to the partner apply to the shareholder.

(i) Estates and trusts distributing current income only and the nonresident individual beneficiaries of the estates or trusts may make an election under this paragraph. The provisions covering the partnership apply to the estate or trust. The provisions applying to the partner apply to the beneficiary.

(j) For the purposes of this subdivision, "income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.01, subdivision 19a, clauses (6) to (10), and the subtractions provided in: (i) section 290.01, subdivision 19b, clause ~~(9)~~ (8), to the extent the amount is assignable or

allocable to Minnesota under section 290.17; and (ii) section 290.01, subdivision 19b, clause ~~(14)~~ (13). The subtraction allowed under section 290.01, subdivision 19b, clause ~~(9)~~ (8), is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2008, section 289A.09, subdivision 2, is amended to read:

Subd. 2. **Withholding statement.** (a) A person required to deduct and withhold from an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to section 290.92, subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of \$600, or who has entered into a voluntary withholding agreement with a payee under section 290.92, subdivision 20, must give every employee or person receiving royalty payments in respect to the remuneration paid by the person to the employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of the calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

(1) name of the person;

(2) the name of the employee or payee and the employee's or payee's Social Security account number;

(3) the total amount of wages as that term is defined in section 290.92, subdivision 1, paragraph (1); the total amount of remuneration subject to withholding under section 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal Revenue Code; and the amount of royalties subject to withholding under section 290.923, subdivision 2; and

(4) the total amount deducted and withheld as tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2.

(b) The statement required to be furnished by paragraph (a) with respect to any remuneration must be furnished at those times, must contain the information required, and must be in the form the commissioner prescribes.

(c) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to give the statements to their employees or payees under this subdivision.

(d) A duplicate of any statement made under this subdivision and in accordance with rules prescribed by the commissioner, along with a reconciliation in the form the commissioner prescribes of the statements for the calendar year, including a reconciliation of the quarterly returns required to be filed under subdivision 1, must be filed with the commissioner on or before February 28 of the year after the payments were made.

(e) If an employer cancels the employer's Minnesota withholding account number required by section 290.92, subdivision 24, the information required by paragraph (d), must be filed with the commissioner within 30 days of the end of the quarter in which the employer cancels its account number.

(f) The employer must submit the statements required to be sent to the commissioner in the same manner required to satisfy the federal reporting requirements of section 6011(e) of the Internal Revenue Code and the regulations issued under it. ~~For wages paid in calendar year 2008, An employer must submit statements to the commissioner required by this section by electronic means if the employer is required to send more than 100~~ 25 statements to the commissioner, even though the employer is not required to submit the returns federally by electronic means. ~~For calendar year 2009, the 100 statements threshold is reduced to 50, and for calendar year 2010, the threshold is reduced to 25, and for statements issued for wages paid in 2011 and after, the threshold is reduced to ten.~~ All statements issued for withholding required under section 290.92 are aggregated for purposes of determining whether the electronic submission threshold is met.

(g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph (a), clause (2), must submit the returns required by this subdivision and subdivision 1, paragraph (a), with the commissioner by electronic means.

**EFFECTIVE DATE.** This section is effective for statements required to be filed after December 31, 2010.

Sec. 4. Minnesota Statutes 2008, section 289A.10, subdivision 1, is amended to read:

Subdivision 1. **Return required.** In the case of a decedent who has an interest in property with a situs in Minnesota, the personal representative must submit a Minnesota estate tax return to the commissioner, on a form prescribed by the commissioner, if:

(1) a federal estate tax return is required to be filed; or

(2) the federal gross estate exceeds ~~\$700,000 for estates of decedents dying after December 31, 2001, and before January 1, 2004; \$850,000 for estates of decedents dying~~

~~after December 31, 2003, and before January 1, 2005; \$950,000 for estates of decedents dying after December 31, 2004, and before January 1, 2006; and \$1,000,000 for estates of decedents dying after December 31, 2005.~~

The return must contain a computation of the Minnesota estate tax due. The return must be signed by the personal representative.

**EFFECTIVE DATE.** This section is effective for estates of decedents dying after December 31, 2005.

Sec. 5. Minnesota Statutes 2008, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **Regulated investment companies; reporting exempt-interest dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest dividends to an individual who is a resident of Minnesota must make a return indicating the amount of the exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The return must be provided to the shareholder ~~no later than 30 days after the close of the taxable year~~ by February 15 of the year following the year of the payment. The return provided to the shareholder must include a clear statement, in the form prescribed by the commissioner, that the exempt-interest dividends must be included in the computation of Minnesota taxable income. ~~The regulated investment company is required in a manner prescribed by the commissioner to file a copy of the return with the commissioner.~~ By June 1 of each year, the regulated investment company must file a copy of the return with the commissioner.

(b) This subdivision applies to regulated investment companies required to register under chapter 80A.

(c) For purposes of this subdivision, the following definitions apply.

(1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest dividends that are not required to be added to federal taxable income under section 290.01, subdivision 19a, clause (1)(ii).

(2) "Regulated investment company" means regulated investment company as defined in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for returns due after December 31, 2010.

Sec. 6. Minnesota Statutes 2009 Supplement, section 289A.18, subdivision 1, is amended to read:

Subdivision 1. **Individual income, fiduciary income, corporate franchise, and entertainment taxes; partnership and S corporation returns; information returns; mining company returns.** The returns required to be made under sections 289A.08 and 289A.12 must be filed at the following times:

(1) returns made on the basis of the calendar year must be filed on April 15 following the close of the calendar year, except that returns of corporations must be filed on ~~March 15 following the close of the calendar year~~ the due date for filing the federal income tax return;

(2) returns made on the basis of the fiscal year must be filed on the 15th day of the fourth month following the close of the fiscal year, except that returns of corporations must be filed on the ~~15th day of the third month following the close of the fiscal year~~ due date for filing the federal income tax return;

(3) returns for a fractional part of a year must be filed on the ~~15th day of the fourth month following the end of the month in which falls the last day of the period for which the return is made, except that the returns of corporations must be filed on the 15th day of the third month following the end of the tax year; or, in the case of a corporation which is a member of a unitary group, the return of the corporation must be filed on the 15th day of the third month following the end of the tax year of the unitary group in which falls the last day of the period for which the return is made~~ due date for filing the federal income tax return;

(4) in the case of a final return of a decedent for a fractional part of a year, the return must be filed on the 15th day of the fourth month following the close of the 12-month period that began with the first day of that fractional part of a year;

(5) in the case of the return of a cooperative association, returns must be filed on or before the 15th day of the ninth month following the close of the taxable year;

(6) if a corporation has been divested from a unitary group and files a return for a fractional part of a year in which it was a member of a unitary business that files a combined report under section 290.17, subdivision 4, the divested corporation's return must be filed on the 15th day of the third month following the close of the common accounting period that includes the fractional year;

(7) returns of entertainment entities must be filed on April 15 following the close of the calendar year;

(8) returns required to be filed under section 289A.08, subdivision 4, must be filed on the 15th day of the fifth month following the close of the taxable year;

(9) returns of mining companies must be filed on May 1 following the close of the calendar year; and

(10) returns required to be filed with the commissioner under section 289A.12, subdivision 2, 4 to 10, or 16 must be filed within 30 days after being demanded by the commissioner.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2009.

Sec. 7. Minnesota Statutes 2008, section 289A.30, subdivision 2, is amended to read:

Subd. 2. **Estate tax.** Where good cause exists, the commissioner may extend the time for payment of estate tax for a period of not more than six months. If an extension to pay the federal estate tax has been granted under section 6161 of the Internal Revenue Code, the time for payment of the estate tax without penalty is extended for that period. A taxpayer who owes at least \$5,000 in taxes and who, under section 6161 or 6166 of the Internal Revenue Code has been granted an extension for payment of the tax shown on the return, may elect to pay the tax due to the commissioner in equal amounts at the same time as required for federal purposes. A taxpayer electing to pay the tax in installments shall defer a percentage of tax that does not exceed the percentage of federal tax deferred and must notify the commissioner in writing no later than nine months after the death of the person whose estate is subject to taxation. If the taxpayer fails to pay an installment on time, unless it is shown that the failure is due to reasonable cause, the election is revoked and the entire amount of unpaid tax plus accrued interest is due and payable 90 days after the date on which the installment was payable.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2008, section 289A.50, subdivision 4, is amended to read:

Subd. 4. **Notice of refund.** The commissioner shall determine the amount of refund, if any, that is due, and notify the taxpayer of the determination as soon as practicable after a claim has been filed.

If the commissioner determines that the address provided by the taxpayer to claim a refund is invalid or is no longer the current address of the taxpayer, then the date of the mailing of the notification provided under this subdivision is considered the date that the refund is paid for purposes of the payment of interest under section 289A.56 and is considered the date of issuance of the original warrant or check for purposes of issuing a new warrant or check under section 270C.347.



**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 9. Minnesota Statutes 2008, section 289A.60, subdivision 7, is amended to read:

Subd. 7. **Penalty for frivolous return.** If a taxpayer files what purports to be a tax return or a claim for refund but which does not contain information on which the substantial correctness of the purported return or claim for refund may be judged or contains information that on its face shows that the purported return or claim for refund is substantially incorrect and the conduct is due to a position that is frivolous or a desire that appears on the purported return or claim for refund to delay or impede the administration of Minnesota tax laws, then the ~~individual taxpayer~~ shall pay a penalty of the greater of \$1,000 or 25 percent of the amount of tax required to be shown on the return. In a proceeding involving the issue of whether or not a ~~person taxpayer~~ is liable for this penalty, the burden of proof is on the commissioner.

**EFFECTIVE DATE.** This section is effective for returns filed after the day following final enactment.

Sec. 10. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute; and

(ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, except:

(A) the portion of the exempt-interest dividends exempt from state taxation under the laws of the United States; and

(B) the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends, including any dividends exempt under subitem (A), that are paid by the regulated investment company as defined in section 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as defined in section 851(g) of the Internal Revenue Code, making the payment; and

(iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal government described in section 7871(c) of the Internal Revenue Code shall be treated as interest income on obligations of the state in which the tribe is located;

(2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, disregarding the amounts allowed under sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed;

(3) the capital gain amount of a lump-sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and taxes based on net income paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

(6) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding

11.1 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
11.2 under section 168(k) is allowed;

11.3 (8) 80 percent of the amount by which the deduction allowed by section 179 of the  
11.4 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
11.5 Revenue Code of 1986, as amended through December 31, 2003;

11.6 (9) to the extent deducted in computing federal taxable income, the amount of the  
11.7 deduction allowable under section 199 of the Internal Revenue Code;

11.8 (10) the exclusion allowed under section 139A of the Internal Revenue Code for  
11.9 federal subsidies for prescription drug plans;

11.10 (11) the amount of expenses disallowed under section 290.10, subdivision 2;

11.11 (12) the amount deducted for qualified tuition and related expenses under section  
11.12 222 of the Internal Revenue Code, to the extent deducted from gross income;

11.13 (13) the amount deducted for certain expenses of elementary and secondary school  
11.14 teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted  
11.15 from gross income;

11.16 (14) the additional standard deduction for property taxes payable that is allowable  
11.17 under section 63(c)(1)(C) of the Internal Revenue Code;

11.18 (15) the additional standard deduction for qualified motor vehicle sales taxes  
11.19 allowable under section 63(c)(1)(E) of the Internal Revenue Code;

11.20 (16) discharge of indebtedness income resulting from reacquisition of business  
11.21 indebtedness and deferred under section 108(i) of the Internal Revenue Code; and

11.22 (17) the amount of unemployment compensation exempt from tax under section  
11.23 85(c) of the Internal Revenue Code.

11.24 **EFFECTIVE DATE.** This section is effective the day following final enactment.

11.25 Sec. 11. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19b, as  
11.26 amended by Laws 2010, chapter 187, section 2, is amended to read:

11.27 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,  
11.28 and trusts, there shall be subtracted from federal taxable income:

11.29 (1) net interest income on obligations of any authority, commission, or  
11.30 instrumentality of the United States to the extent includable in taxable income for federal  
11.31 income tax purposes but exempt from state income tax under the laws of the United States;

11.32 (2) if included in federal taxable income, the amount of any overpayment of income  
11.33 tax to Minnesota or to any other state, for any previous taxable year, whether the amount  
11.34 is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. No deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle to provide such transportation for a qualifying child. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

(5) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code, under the provisions of Public Law 109-1 and Public Law 111-126;

~~(7) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;~~

~~(8)~~ for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover

of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

~~(9)~~ (8) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

~~(10)~~ (9) job opportunity building zone income as provided under section 469.316;

~~(11)~~ (10) to the extent included in federal taxable income, the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service performed in Minnesota, excluding compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05, subdivision 5c, but "active service" excludes service performed in accordance with section 190.08, subdivision 3;

~~(12)~~ (11) to the extent included in federal taxable income, the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed outside Minnesota under United States Code, title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of the United Nations;

~~(13)~~ (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified

expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

~~(14)~~ (13) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

~~(15)~~ (14) to the extent included in federal taxable income, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

~~(16)~~ (15) international economic development zone income as provided under section 469.325;

~~(17)~~ (16) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved Americorps National Service program; and

~~(18)~~ (17) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under section 290.01, subdivision 19a, clause (16).

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the work opportunity credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed;

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (9), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

(10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation, unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(11) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

(12) the amount of disability access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

(13) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

(14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;



~~(15) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;~~

~~(16)~~ for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

~~(17)~~ (16) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

~~(18)~~ (17) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (15), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (15). The resulting delayed depreciation cannot be less than zero;

~~(19)~~ (18) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the amount of the addition; and

~~(20)~~ (19) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under section 290.01, subdivision 19c, clause (25).

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2008, section 290.014, subdivision 2, is amended to read:

Subd. 2. **Nonresident individuals.** Except as provided in section 290.015, a nonresident individual is subject to the return filing requirements and to tax as provided in this chapter to the extent that the income of the nonresident individual is:

(1) allocable to this state under section 290.17, 290.191, or 290.20;

(2) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a beneficiary of an estate with income allocable

to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 662(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the estate;

(3) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character that is taxable under this chapter) in the individual's capacity as a beneficiary or grantor or other person treated as a substantial owner of a trust with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 652(b), 662(b), or 664(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the trust;

(4) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a limited or general partner in a partnership with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 702(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the partnership; ~~or~~

(5) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a shareholder of a corporation treated as an "S" corporation under section 290.9725, and income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 1366(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the corporation; or

(6) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as the sole member of a limited liability company that is disregarded for federal income tax purposes, with income allocable to this state under section 290.17, 290.191, or 290.20, as though realized by the individual directly from the source from which it was realized by the limited liability company.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 14. Minnesota Statutes 2009 Supplement, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first \$25,680, 5.35 percent;
- (2) On all over \$25,680, but not over \$102,030, 7.05 percent;
- (3) On all over \$102,030, 7.85 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$17,570, 5.35 percent;
- (2) On all over \$17,570, but not over \$57,710, 7.05 percent;
- (3) On all over \$57,710, 7.85 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$21,630, 5.35 percent;
- (2) On all over \$21,630, but not over \$86,910, 7.05 percent;
- (3) On all over \$86,910, 7.85 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions

required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), (16), and (17), and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), and the subtractions under section 290.01, subdivision 19b, clauses ~~(9), (10), (14), (15), (16), and (18)~~ (8), (9), (13), (14), (15), and (17), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), (16), and (17), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), ~~(9), (10), (14), (15), (16), and (18)~~ (8), (9), (13), (14), (15), and (17).

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2008, section 290.067, subdivision 1, is amended to read:

Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2 except that in determining whether the child qualified as a dependent, income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

(b) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. If the child is 16 months old or younger at the close of the taxable year, the amount of expenses deemed to have been paid equals the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code. If the child is older than 16 months of age but has not attained the age of six years at the close of the taxable year, the amount of expenses deemed to have been paid equals the amount the licensee would charge for the care of a child of the same age for the same number of hours of care.

(c) If a married couple:

(1) has a child who has not attained the age of one year at the close of the taxable year;

(2) files a joint tax return for the taxable year; and

(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) the amount of the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:

(1) the name, address, and taxpayer identification number of the person are included on the return claiming the credit; or

(2) if the person is an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name and address of the person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information required.

In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter including earned income excluded pursuant to section 290.01, subdivision 19b, clause ~~(10)~~ (9) or ~~(16)~~ (15), the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

For residents of Minnesota, the subtractions for military pay under section 290.01, subdivision 19b, clauses ~~(11)~~ (10) and ~~(12)~~ (11), are not considered "earned income not subject to tax under this chapter."

For residents of Minnesota, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 16. Minnesota Statutes 2009 Supplement, section 290.0671, subdivision 1, is amended to read:

22.1           Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax  
22.2 imposed by this chapter equal to a percentage of earned income. To receive a credit, a  
22.3 taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

22.4           (b) For individuals with no qualifying children, the credit equals 1.9125 percent of  
22.5 the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned  
22.6 income or adjusted gross income, whichever is greater, in excess of \$5,770, but in no  
22.7 case is the credit less than zero.

22.8           (c) For individuals with one qualifying child, the credit equals 8.5 percent of the first  
22.9 \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than  
22.10 \$13,450. The credit is reduced by 5.73 percent of earned income or adjusted gross income,  
22.11 whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

22.12           (d) For individuals with two or more qualifying children, the credit equals ten  
22.13 percent of the first \$9,720 of earned income and 20 percent of earned income over  
22.14 \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income  
22.15 or adjusted gross income, whichever is greater, in excess of \$17,890, but in no case is  
22.16 the credit less than zero.

22.17           (e) For a nonresident or part-year resident, the credit must be allocated based on the  
22.18 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

22.19           (f) For a person who was a resident for the entire tax year and has earned income  
22.20 not subject to tax under this chapter, including income excluded under section 290.01,  
22.21 subdivision 19b, clause ~~(10)~~ (9) or ~~(16)~~ (15), the credit must be allocated based on the  
22.22 ratio of federal adjusted gross income reduced by the earned income not subject to tax  
22.23 under this chapter over federal adjusted gross income. For purposes of this paragraph, the  
22.24 subtractions for military pay under section 290.01, subdivision 19b, clauses ~~(11)~~ (10) and  
22.25 ~~(12)~~ (11), are not considered "earned income not subject to tax under this chapter."

22.26           For the purposes of this paragraph, the exclusion of combat pay under section 112  
22.27 of the Internal Revenue Code is not considered "earned income not subject to tax under  
22.28 this chapter."

22.29           (g) For tax years beginning after December 31, 2007, and before December 31,  
22.30 2010, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in  
22.31 paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by  
22.32 \$3,000 for married taxpayers filing joint returns. For tax years beginning after December  
22.33 31, 2008, the commissioner shall annually adjust the \$3,000 by the percentage determined  
22.34 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in  
22.35 section 1(f)(3)(B), the word "2007" shall be substituted for the word "1992." For 2009,  
22.36 the commissioner shall then determine the percent change from the 12 months ending on

August 31, 2007, to the 12 months ending on August 31, 2008, and in each subsequent year, from the 12 months ending on August 31, 2007, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(h) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2009 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; and

(iv) the impairment-related work expenses of a disabled person;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

(6) the amount of addition required by section 290.01, subdivision 19a, clauses (7) to (9), (12), (13), (16), and (17);

less the sum of the amounts determined under the following:

(1) interest income as defined in section 290.01, subdivision 19b, clause (1);

(2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income;

(3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income; and

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (6), ~~(9)~~ (8) to ~~(16)~~ (15), and ~~(18)~~ (17).

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Net minimum tax" means the minimum tax imposed by this section.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 18. Minnesota Statutes 2008, section 290.0921, subdivision 3, is amended to read:

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in



service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation allowance in the first taxable year after December 31, 2000.

(2) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause (15), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause ~~(18)~~ (17), is allowed as a depreciation deduction in determining alternative minimum taxable income.

(4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(6) The special rule for dividends from section 936 companies under section 56(g)(4)(C)(iii) does not apply.

(7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(8) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).

(9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(10) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(11) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, not previously deducted is a depreciation or amortization allowance in the first taxable year after December 31, 2004.

(12) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(13) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (10).

(14) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

(15) Alternative minimum taxable income excludes the income from operating in a biotechnology and health sciences industry zone as provided under section 469.337.

(16) Alternative minimum taxable income excludes the income from operating in an international economic development zone as provided under section 469.326.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 19. Minnesota Statutes 2008, section 290.17, subdivision 2, is amended to read:

**Subd. 2. Income not derived from conduct of a trade or business.** The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

(ii) The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law 104-95, are not considered income derived from carrying on a trade or business or from wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of an interest in a single member limited liability company that is disregarded for federal income tax purposes is allocable to this state as if the single member limited liability company did not exist and the assets of the limited liability company are personally owned by the sole member.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was assignable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 20. Minnesota Statutes 2008, section 290.21, subdivision 4, is amended to read:

Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom; and

(2)(i) the remaining 20 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989;

(ii) the remaining 20 percent of dividends if the dividends are received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989, or is deducted under an election under section 243(b) of the Internal Revenue Code; or

(iii) the remaining 20 percent of the dividends if the dividends are received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (A) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section

290.17, subdivision 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

(g) The deduction provided by this subdivision does not apply to dividends received from a real estate investment trust, if the dividends are not considered to be dividends under section 243(d)(3) and section 857(c) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2009.

Sec. 21. **[290.433] HOMELESS PREVENTION AND FOOD SHELF CHECKOFF.**

Every individual who files an income tax return or property tax refund claim form may designate on their original return that \$1 or more shall be added to the tax or deducted from the refund that would otherwise be payable by or to that individual and paid into an account to be established for the management of homeless prevention and food shelf programs. The commissioner of revenue shall, on the income tax return and the property tax refund claim form, notify filers of their right to designate that a portion of their tax or refund be paid into the homeless prevention and food shelf management account. The sum of the amounts designated to be paid shall be credited to the homeless prevention and food shelf management account for use in the following manner: (1) 50 percent for homeless prevention and services through emergency services grants established under section 256E.36 and administered by the Department of Human Services; and (2) 50 percent of the amounts to the food shelf program established in section 256E.34 and administered by the Department of Human Services. An amount to pay the personnel and administrative costs to administer the check-off is annually appropriated to the commissioner from the homeless prevention and food shelf management account. All interest earned on money

accrued, gifts to the program, contributions to the program, and reimbursements of expenditures in the homeless prevention and food shelf management account shall be credited to the account by the commissioner of management and budget, except that gifts or contributions received directly by the commissioner of human services and directed by the contributor for use in specific homeless prevention and food shelf programs shall be handled directly by this department.

The state pledges and agrees with all contributors to the homeless prevention and food shelf programs account to use the funds contributed solely for the management of homeless prevention and food shelf programs and for administration of the checkoff program and further agrees that it will not impose additional conditions or restrictions that limit or otherwise restrict the ability of the commissioner of human services to use the available funds for the most efficient and effective management of homeless prevention and food shelf programs. The dedicated money under this section must supplement traditional sources of funding for these purposes and may not be used as a substitute.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2009 and before January 1, 2013.

Sec. 22. **[290.434] CORPORATE HOMELESS PREVENTION AND FOOD SHELF CHECKOFF.**

A corporation that files an income tax return may designate on its original return that \$1 or more shall be added to the tax or deducted from the refund that would otherwise be payable by or to that corporation and paid into the homeless prevention and food shelf management account established by section 290.433 for use in the following manner: (1) 50 percent for homeless prevention and services through emergency services grants under section 256E.36 and administered by the Department of Human Services; and (2) 50 percent of the amounts to the food shelf program established in section 256E.34 and administered by the Department of Human Services. An amount to pay the personnel and administrative costs to administer the checkoff is annually appropriated to the commissioner from the homeless prevention and food shelf management account. The commissioner of revenue shall, on the corporate tax return, notify filers of their right to designate that a portion of their tax return be paid into the homeless prevention and food shelf management account for homeless prevention and food shelf programs. All interest earned on money accrued, gifts to the program, contributions to the program, and reimbursements of expenditures in the homeless prevention and food shelf management account shall be credited to the account by the commissioner of management and budget, except that gifts or contributions received directly by the commissioner of human services

and directed by the contributor for use in specific homeless prevention and food shelf programs shall be handled directly by this department.

The state pledges and agrees with all contributors to the homeless prevention and food shelf programs account to use the funds contributed solely for the management of homeless prevention and food shelf programs and for administration of the checkoff program and further agrees that it will not impose additional conditions or restrictions that limit or otherwise restrict the ability of the commissioner of human services to use the available funds for the most efficient and effective management of homeless prevention and food shelf programs. The dedicated money under this section must supplement traditional sources of funding for these purposes and may not be used as a substitute.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2009 and before January 1, 2013.

Sec. 23. Minnesota Statutes 2009 Supplement, section 291.005, subdivision 1, as amended by Laws 2010, chapter 216, section 15, is amended to read:

Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions of ~~under~~ the Internal Revenue Code.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through March 18, 2010, but without regard to the provisions of sections 501 and 901 of Public Law 107-16.

(4) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

(5) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota, and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(6) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.



(7) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(8) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(9) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death. For a nonresident decedent with an ownership interest in a pass-through entity with assets that include real or tangible personal property, situs of the real or tangible personal property is determined as if the pass-through entity does not exist and the real or tangible personal property is personally owned by the decedent. If the pass-through entity is owned by a person or persons in addition to the decedent, ownership of the property is attributed to the decedent in proportion to the decedent's capital ownership share of the pass-through entity.

(10) "Pass-through entity" includes the following:

(i) an entity electing S corporation status under section 1362 of the Internal Revenue Code;

(ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

(iii) a single member limited liability company or similar entity, regardless of whether it is taxed as an association or is disregarded for federal income tax purposes under Code of Federal Regulations, title 26, section 301.7701-3; or

(iv) a trust.

**EFFECTIVE DATE.** The change in paragraph (3) is effective the day following final enactment and applies regardless of when the decedent dies. The changes in paragraphs (9) and (10) are effective for estates of decedents dying after December 31, 2009. This section is effective for estates of decedents dying after December 31, 2009.

**Sec. 24. [524.2-712] DECEDENTS DYING AFTER DECEMBER 31, 2009, AND BEFORE JANUARY 1, 2011; CONSTRUCTION OF CERTAIN FORMULA CLAUSES BY REFERENCE TO FEDERAL TRANSFER TAX LAW.**

(a) A governing instrument, including a will or trust agreement, of a decedent who dies after December 31, 2009, and before January 1, 2011, that contains a formula or provision referring to the "unified credit," "estate tax exemption," "applicable exemption amount," "applicable credit amount," "applicable exclusion amount," "generation-skipping transfer tax exemption," "GST exemption," "marital deduction," "maximum marital deduction," "unlimited marital deduction," "inclusion ratio," "applicable fraction," or any section of the Internal Revenue Code relating to the federal estate tax or federal generation-skipping transfer tax, or that measures a share of an estate or trust by reference to federal estate taxes or federal generation-skipping transfer taxes, is deemed to refer to the federal estate tax and the federal generation-skipping transfer tax laws as they applied with respect to the estates of decedents dying on December 31, 2009. This paragraph does not apply to a governing instrument, including a will or trust agreement, that manifests an intent that a contrary rule applies if the decedent dies on a date on which there is no then-applicable federal estate or federal generation-skipping transfer tax.

(b) If the federal estate or federal generation-skipping transfer tax becomes effective before January 1, 2011, then the reference to January 1, 2011, in paragraph (a) instead refers to the first date on which the tax becomes legally effective.

(c) The personal representative, trustee, or any interested person under the governing instrument, including a will or trust agreement, may bring a proceeding to determine whether the decedent intended that a formula or provision described in paragraph (a) be construed with respect to the law as it existed after December 31, 2009. Such a proceeding must be commenced by December 31, 2011.

**EFFECTIVE DATE.** This section is effective on January 1, 2010.

## ARTICLE 2

### SALES AND USE TAXES

Section 1. Minnesota Statutes 2008, section 289A.50, subdivision 2, is amended to read:

Subd. 2. **Refund of sales tax to vendors; limitation.** (a) If a vendor has collected from a purchaser and remitted to the state a tax on a transaction that is not subject to the tax imposed by chapter 297A, the tax is refundable to the vendor only if and to the extent that the tax and any interest earned on the tax is credited to amounts due to the vendor by the purchaser or returned to the purchaser by the vendor.

(b) In addition to the requirements of subdivision 1, a claim for refund under this subdivision must state in writing that the tax and interest earned on the tax has been or will be refunded or credited to the purchaser by the vendor.

(c) Within 60 days after the date the commissioner issues the refund, any amount not refunded or credited to the purchaser by the vendor, as required by paragraph (a), must be returned to the commissioner by the vendor.

(d) After the commissioner refunds the tax and interest to the vendor, if the commissioner determines that the vendor did not refund or credit the tax and interest as provided in this subdivision, or did not return the amount required to be returned under paragraph (c), the commissioner may assess the vendor for underpayment of tax and interest equal to that portion of the amount that was not refunded or credited to the purchaser. The assessment bears interest which is computed at the rate specified in section 270C.40, subdivision 5, on the unpaid amount from the date the commissioner issues the refund until the date the amount is paid to the commissioner. The assessment may be made at any time within 3-1/2 years after the commissioner refunds the tax and interest to the vendor. If part of the refund was induced by fraud or misrepresentation of a material fact, the assessment may be made at any time.

**EFFECTIVE DATE.** This section is effective for refunds issued after June 30, 2010.

Sec. 2. Minnesota Statutes 2008, section 297A.61, subdivision 3, is amended to read:

Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision.

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

(c) Sale and purchase include the production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing.

(d) Sale and purchase include the preparing for a consideration of food. Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

(1) prepared food sold by the retailer;

(2) soft drinks;

- 36.1 (3) candy;
- 36.2 (4) dietary supplements; and
- 36.3 (5) all food sold through vending machines.
- 36.4 (e) A sale and a purchase includes the furnishing for a consideration of electricity,
- 36.5 gas, water, or steam for use or consumption within this state.
- 36.6 (f) A sale and a purchase includes the transfer for a consideration of prewritten
- 36.7 computer software whether delivered electronically, by load and leave, or otherwise.
- 36.8 (g) A sale and a purchase includes the furnishing for a consideration of the following
- 36.9 services:
- 36.10 (1) the privilege of admission to places of amusement, recreational areas, or athletic
- 36.11 events, and the making available of amusement devices, tanning facilities, reducing
- 36.12 salons, steam baths, Turkish baths, health clubs, and spas or athletic facilities;
- 36.13 (2) lodging and related services by a hotel, rooming house, resort, campground,
- 36.14 motel, or trailer camp, including furnishing the guest of the facility with access to
- 36.15 telecommunication services, and the granting of any similar license to use real property
- 36.16 in a specific facility, other than the renting or leasing of it for a continuous period of
- 36.17 30 days or more under an enforceable written agreement that may not be terminated
- 36.18 without prior notice;
- 36.19 (3) nonresidential parking services, whether on a contractual, hourly, or other
- 36.20 periodic basis, except for parking at a meter;
- 36.21 (4) the granting of membership in a club, association, or other organization if:
- 36.22 (i) the club, association, or other organization makes available for the use of its
- 36.23 members sports and athletic facilities, without regard to whether a separate charge is
- 36.24 assessed for use of the facilities; and
- 36.25 (ii) use of the sports and athletic facility is not made available to the general public
- 36.26 on the same basis as it is made available to members.
- 36.27 Granting of membership means both onetime initiation fees and periodic membership
- 36.28 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and
- 36.29 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;
- 36.30 swimming pools; and other similar athletic or sports facilities;
- 36.31 (5) delivery of aggregate materials by a third party, excluding delivery of aggregate
- 36.32 material used in road construction, and delivery of concrete block by a third party if
- 36.33 the delivery would be subject to the sales tax if provided by the seller of the concrete
- 36.34 block; and
- 36.35 (6) services as provided in this clause:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting services and pest control and exterminating services;

(iv) detective, security, burglar, fire alarm, and armored car services; but not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit organization for monitoring and electronic surveillance of persons placed on in-home detention pursuant to court order or under the direction of the Minnesota Department of Corrections;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(viii) the furnishing of lodging, board, and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise.

Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of the preceding sentence, "affiliated group of corporations" means those entities that would be classified as members of an

38.1 affiliated group as defined under United States Code, title 26, section 1504, disregarding  
38.2 the exclusions in section 1504(b).

38.3 For purposes of clause (5), "road construction" means construction of (1) public  
38.4 roads, (2) cartways, and (3) private roads in townships located outside of the seven-county  
38.5 metropolitan area up to the point of the emergency response location sign.

38.6 (h) A sale and a purchase includes the furnishing for a consideration of tangible  
38.7 personal property or taxable services by the United States or any of its agencies or  
38.8 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political  
38.9 subdivisions.

38.10 (i) A sale and a purchase includes the furnishing for a consideration of  
38.11 telecommunications services, ancillary services associated with telecommunication  
38.12 services, cable television services, and direct satellite services, ~~and ring tones~~.  
38.13 Telecommunication services include, but are not limited to, the following services,  
38.14 as defined in section 297A.669: air-to-ground radiotelephone service, mobile  
38.15 telecommunication service, postpaid calling service, prepaid calling service, prepaid  
38.16 wireless calling service, and private communication services. The services in this  
38.17 paragraph are taxed to the extent allowed under federal law.

38.18 (j) A sale and a purchase includes the furnishing for a consideration of installation if  
38.19 the installation charges would be subject to the sales tax if the installation were provided  
38.20 by the seller of the item being installed.

38.21 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer  
38.22 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)  
38.23 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section  
38.24 65B.29, subdivision 1, clause (1).

38.25 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
38.26 June 30, 2010.

38.27 Sec. 3. Minnesota Statutes 2008, section 297A.61, subdivision 4, is amended to read:

38.28 Subd. 4. **Retail sale.** (a) A "retail sale" means any sale, lease, or rental for any  
38.29 purpose, other than resale, sublease, or subrent of items by the purchaser in the normal  
38.30 course of business as defined in subdivision 21.

38.31 (b) A sale of property used by the owner only by leasing it to others or by holding it  
38.32 in an effort to lease it, and put to no use by the owner other than resale after the lease or  
38.33 effort to lease, is a sale of property for resale.

38.34 (c) A sale of master computer software that is purchased and used to make copies for  
38.35 sale or lease is a sale of property for resale.

39.1 (d) A sale of building materials, supplies, and equipment to owners, contractors,  
39.2 subcontractors, or builders for the erection of buildings or the alteration, repair, or  
39.3 improvement of real property is a retail sale in whatever quantity sold, whether the sale is  
39.4 for purposes of resale in the form of real property or otherwise.

39.5 (e) A sale of carpeting, linoleum, or similar floor covering to a person who provides  
39.6 for installation of the floor covering is a retail sale and not a sale for resale since a sale  
39.7 of floor covering which includes installation is a contract for the improvement of real  
39.8 property.

39.9 (f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides  
39.10 for installation of the items is a retail sale and not a sale for resale since a sale of  
39.11 shrubbery, plants, sod, trees, and similar items that includes installation is a contract for  
39.12 the improvement of real property.

39.13 (g) A sale of tangible personal property that is awarded as prizes is a retail sale and  
39.14 is not considered a sale of property for resale.

39.15 (h) A sale of tangible personal property utilized or employed in the furnishing or  
39.16 providing of services under subdivision 3, paragraph (g), clause (1), including, but not  
39.17 limited to, property given as promotional items, is a retail sale and is not considered a  
39.18 sale of property for resale.

39.19 (i) A sale of tangible personal property used in conducting lawful gambling under  
39.20 chapter 349 or the State Lottery under chapter 349A, including, but not limited to,  
39.21 property given as promotional items, is a retail sale and is not considered a sale of  
39.22 property for resale.

39.23 (j) A sale of machines, equipment, or devices that are used to furnish, provide, or  
39.24 dispense goods or services, including, but not limited to, coin-operated devices, is a retail  
39.25 sale and is not considered a sale of property for resale.

39.26 (k) In the case of a lease, a retail sale occurs (1) when an obligation to make a lease  
39.27 payment becomes due under the terms of the agreement or the trade practices of the  
39.28 lessor or (2) in the case of a lease of a motor vehicle, as defined in section 297B.01,  
39.29 subdivision 11, but excluding vehicles with a manufacturer's gross vehicle weight rating  
39.30 greater than 10,000 pounds and rentals of vehicles for not more than 28 days, at the time  
39.31 the lease is executed.

39.32 (l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of  
39.33 title or possession of the tangible personal property.

39.34 (m) A sale of a bundled transaction in which one or more of the products included  
39.35 in the bundle is a taxable product is a retail sale, except that if one of the products  
39.36 is a telecommunication service, ancillary service, Internet access, or audio or video

programming service, and the seller has maintained books and records identifying through reasonable and verifiable standards the portions of the price that are attributable to the distinct and separately identifiable products, then the products are not considered part of a bundled transaction. For purposes of this paragraph:

(1) the books and records maintained by the seller must be maintained in the regular course of business, and do not include books and records created and maintained by the seller primarily for tax purposes;

(2) books and records maintained in the regular course of business include, but are not limited to, financial statements, general ledgers, invoicing and billing systems and reports, and reports for regulatory tariffs and other regulatory matters; and

(3) books and records are maintained primarily for tax purposes when the books and records identify taxable and nontaxable portions of the price, but the seller maintains other books and records that identify different prices attributable to the distinct products included in the same bundled transaction.

(n) A sale of motor vehicle repair paint and supplies by a motor vehicle repair or body shop business is a retail sale and the sales tax is imposed on the gross receipts from the retail sale of the paint and supplies. The motor vehicle repair or body shop may multiply the number of labor hours by a rate of consideration for the paint and supplies used in the repair of the motor vehicle in order to calculate the sales price of the paint and supplies. If this method does not fairly reflect the taxable amount, the taxpayer may petition the commissioner for the use of another method, if that method fairly reflects the gross receipts from the retail sale of the paint and supplies that become part of a repaired motor vehicle or are consumed in repairing motor vehicles. This clause does not apply to wholesale transactions at an auto auction facility.

Sec. 4. Minnesota Statutes 2008, section 297A.61, is amended by adding a subdivision to read:

Subd. 47. **Motor vehicle repair paint and supplies.** "Motor vehicle repair paint" includes primer, body paint, clear coat, and paint thinner used to paint motor vehicles, as defined in section 297B.01. "Motor vehicle repair supplies" are items that become a part of a repaired motor vehicle or are consumed in repairing the motor vehicle at retail, and include abrasives, battery water, body filler or putty, bolts and nuts, brake fluid, buffing pads, chamois, cleaning compounds, degreasing compounds, glaze, grease, grinding discs, hydraulic jack oil, lubricants, masking tape, oxygen and acetylene, polishes, rags, razor blades, sandpaper, sanding discs, scuff pads, sealer, solder, solvents, striping tape, tack cloth, thinner, waxes, and welding rods. Motor vehicle repair supplies do not include



41.1 items that are not used directly on the motor vehicle, such as floor dry, which is used to  
41.2 clean the shop, or cleaning compounds and rags that are used to clean tools and equipment  
41.3 or the shop and are not used to clean the motor vehicle.

41.4 Sec. 5. Minnesota Statutes 2008, section 297A.62, as amended by Laws 2009, chapter  
41.5 88, article 4, section 4, is amended to read:

41.6 **297A.62 SALES TAX IMPOSED; RATES.**

41.7 Subdivision 1. **Generally.** Except as otherwise provided in subdivision 3 or in this  
41.8 chapter, a sales tax of 6.5 percent is imposed on the gross receipts from retail sales as  
41.9 defined in section 297A.61, subdivision 4, made in this state or to a destination in this  
41.10 state by a person who is required to have or voluntarily obtains a permit under section  
41.11 297A.83, subdivision 1.

41.12 Subd. 1a. **Constitutionally required sales tax increase.** Except as otherwise  
41.13 provided in subdivision 3 or in this chapter, an additional sales tax of 0.375 percent, as  
41.14 required under the Minnesota Constitution, article XI, section 15, is imposed on the gross  
41.15 receipts from retail sales as defined in section 297A.61, subdivision 4, made in this state or  
41.16 to a destination in this state by a person who is required to have or voluntarily obtains a  
41.17 permit under section 297A.83, subdivision 1. This additional tax expires July 1, 2034.

41.18 Subd. 3. **Manufactured housing and park trailers.** For retail sales of  
41.19 manufactured homes as defined in section 327.31, subdivision 6, for residential uses, the  
41.20 sales tax under ~~subdivision~~ subdivisions 1 and 1a is imposed on 65 percent of the dealer's  
41.21 cost of the manufactured home. For retail sales of new or used park trailers, as defined in  
41.22 section 168.002, subdivision 23, the sales tax under ~~subdivision~~ subdivisions 1 and 1a is  
41.23 imposed on 65 percent of the sales price of the park trailer.

41.24 Subd. 4. **Combined rates.** In this chapter, wherever there is a reference to the rate  
41.25 under subdivision 1, or to a combined rate under subdivisions 1 and 1a, the rate to be  
41.26 applied is the combined rate under subdivisions 1 and 1a until the additional tax imposed  
41.27 by subdivision 1a expires. This subdivision does not apply to section 297A.65.

41.28 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases  
41.29 made after June 30, 2009, except for sales and purchases subject to subdivision 3. This  
41.30 section is effective for sales and purchases subject to subdivision 3 made after June 30,  
41.31 2010.

41.32 Sec. 6. Minnesota Statutes 2008, section 297A.665, is amended to read:

41.33 **297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

(a) For the purpose of the proper administration of this chapter and to prevent evasion of the tax, until the contrary is established, it is presumed that:

- (1) all gross receipts are subject to the tax; and
- (2) all retail sales for delivery in Minnesota are for storage, use, or other consumption in Minnesota.

(b) The burden of proving that a sale is not a taxable retail sale is on the seller. However, a seller is relieved of liability if:

(1) the seller obtains a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, at the time of the sale or within 90 days after the date of the sale; or

(2) if the seller has not obtained a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, within the time provided in clause (1), within 120 days after a request for substantiation by the commissioner, the seller either:

(i) obtains in good faith a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, from the purchaser; or

(ii) proves by other means that the transaction was not subject to tax.

(c) Notwithstanding paragraph (b), relief from liability does not apply to a seller who:

(1) fraudulently fails to collect the tax; or

(2) solicits purchasers to participate in the unlawful claim of an exemption.

(d) A certified service provider, as defined in section 297A.995, subdivision 2, is relieved of liability under this section to the extent a seller who is its client is relieved of liability.

(e) A purchaser of tangible personal property or any items listed in section 297A.63 that are shipped or brought to Minnesota by the purchaser has the burden of proving that the property was not purchased from a retailer for storage, use, or consumption in Minnesota.

(f) If a seller claims that certain sales are exempt and does not provide the certificate, information, or proof required by paragraph (b), clause (2), within 120 days after the date of the commissioner's request for substantiation, then the exemptions claimed by the seller that required substantiation are disallowed.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2008, section 297A.68, subdivision 39, is amended to read:

Subd. 39. **Preexisting bids or contracts.** (a) The sale of tangible personal property or services is exempt from tax or a tax rate increase for a period of six months from

43.1 the effective date of the law change that results in the imposition of the tax or the tax  
43.2 rate increase under this chapter if:

43.3 (1) the act imposing the tax or increasing the tax rate does not have transitional  
43.4 effective date language for existing construction contracts and construction bids; and

43.5 (2) the requirements of paragraph (b) are met.

43.6 (b) A sale is tax exempt under paragraph (a) if it meets the requirements of either  
43.7 clause (1) or (2):

43.8 (1) For a construction contract:

43.9 (i) the goods or services sold must be used for the performance of a bona fide written  
43.10 lump sum or fixed price construction contract;

43.11 (ii) the contract must be entered into before the date the goods or services become  
43.12 subject to the sales tax or the tax rate was increased;

43.13 (iii) the contract must not provide for allocation of future taxes; and

43.14 (iv) for each qualifying contract the contractor must ~~give the seller~~ keep  
43.15 documentation of the contract on which an exemption is to be claimed.

43.16 (2) For a construction bid:

43.17 (i) the goods or services sold must be used pursuant to an obligation of a bid or bids;

43.18 (ii) the bid or bids must be submitted and accepted before the date the goods or  
43.19 services became subject to the sales tax or the tax rate was increased;

43.20 (iii) the bid or bids must not be able to be withdrawn, modified, or changed without  
43.21 forfeiting a bond; and

43.22 (iv) for each qualifying bid, the contractor must ~~give the seller~~ keep documentation  
43.23 of the bid on which an exemption is to be claimed.

43.24 **EFFECTIVE DATE.** This section is effective the day following final enactment.

43.25 Sec. 8. Minnesota Statutes 2008, section 297A.68, is amended by adding a subdivision  
43.26 to read:

43.27 **Subd. 42. Motor vehicle repair paint and supplies.** Paint and supplies, as  
43.28 defined in section 297A.61, subdivision 47, that are purchased by a motor vehicle repair  
43.29 or body shop business in providing repair services on motor vehicles, as defined in  
43.30 section 297B.01, at retail and become part of a repaired motor vehicle or are consumed  
43.31 in repairing a motor vehicle are exempt.

43.32 Sec. 9. Minnesota Statutes 2008, section 297A.70, subdivision 8, is amended to read:

43.33 **Subd. 8. Regionwide public safety radio communication system; products and**  
43.34 **services.** Products and services including, but not limited to, end user equipment used

for construction, ownership, operation, maintenance, and enhancement of the backbone system of the regionwide public safety radio communication system established under sections 403.21 to 403.40, are exempt. For purposes of this subdivision, backbone system is defined in section 403.21, subdivision 9. ~~This subdivision is effective for purchases, sales, storage, use, or consumption for use in the first and second phases of the system, as defined in section 403.21, subdivisions 3, 10, and 11, that portion of the third phase of the system that is located in the southeast district of the State Patrol and the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system that is located in Itasca County.~~

**EFFECTIVE DATE.** This section is effective for purchases by local governments after June 30, 2006, and for purchases by the state after June 30, 2010. After June 30, 2010, a local government may apply for a refund of tax paid for purchases before July 1, 2010, under this subdivision, in the manner provided in section 297A.75.

Sec. 10. Minnesota Statutes 2008, section 297A.70, subdivision 13, is amended to read:

Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following sales by the specified organizations for fund-raising purposes are exempt, subject to the limitations listed in paragraph (b):

(1) all sales made by ~~an~~ a nonprofit organization that exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under;

(2) all sales made by an organization that is a senior citizen group or association of groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii) no part of its net earnings inures to the benefit of any private shareholders;

(3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code; and

(4) sales of candy sold for fund-raising purposes by a nonprofit organization that provides educational and social activities primarily for young people age 18 and under.

(b) The exemptions listed in paragraph (a) are limited in the following manner:

(1) the exemption under paragraph (a), clauses (1) and (2), applies only if the gross annual receipts of the organization from fund-raising do not exceed \$10,000; and

(2) the exemption under paragraph (a), clause (1), does not apply if the sales are derived from admission charges or from activities for which the money must be deposited with the school district treasurer under section 123B.49, subdivision 2, or be recorded in

the same manner as other revenues or expenditures of the school district under section 123B.49, subdivision 4.

(c) Sales of tangible personal property are exempt if the entire proceeds, less the necessary expenses for obtaining the property, will be contributed to a registered combined charitable organization described in section 43A.50, to be used exclusively for charitable, religious, or educational purposes, and the registered combined charitable organization has given its written permission for the sale. Sales that occur over a period of more than 24 days per year are not exempt under this paragraph.

(d) For purposes of this subdivision, a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports, educational, or other extracurricular activities is a separate organization from the school district or school for purposes of applying the \$10,000 limit.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2008, section 297A.71, subdivision 23, is amended to read:

Subd. 23. **Construction materials for qualified low-income housing projects.** (a) Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of qualified low-income housing projects are exempt from the tax imposed under this chapter if the owner of the qualified low-income housing project is:

(1) the public housing agency or housing and redevelopment authority of a political subdivision;

(2) an entity exercising the powers of a housing and redevelopment authority within a political subdivision;

(3) a limited partnership in which the sole or managing general partner is an authority under clause (1) or an entity under clause (2) ~~or~~ (4), or (5);

(4) a nonprofit corporation subject to the provisions of chapter 317A, and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended; ~~or~~

(5) a limited liability company if it consists of a sole member that is an entity under clause (4); or

(6) an owner entity, as defined in Code of Federal Regulations, title 24, part 941.604, for a qualified low-income housing project described in paragraph (b), clause (5).

This exemption applies regardless of whether the purchases are made by the owner of the facility or a contractor.

(b) For purposes of this exemption, "qualified low-income housing project" means:

(1) a housing or mixed use project in which at least 20 percent of the residential units are qualifying low-income rental housing units as defined in section 273.126;

(2) a federally assisted low-income housing project financed by a mortgage insured or held by the United States Department of Housing and Urban Development under United States Code, title 12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United States Code, title 42, section 1437f; the Native American Housing Assistance and Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar successor federal low-income housing program;

(3) a qualified low-income housing project as defined in United States Code, title 26, section 42(g), meeting all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code regardless of whether the project actually applies for or receives a low-income housing credit;

(4) a project that will be operated in compliance with Internal Revenue Service revenue procedure 96-32; or

(5) a housing or mixed use project in which all or a portion of the residential units are subject to the requirements of section 5 of the United States Housing Act of 1937.

(c) For a project, a portion of which is not used for low-income housing units, the amount of purchases that are exempt under this subdivision must be determined by multiplying the total purchases, as specified in paragraph (a), by the ratio of:

(1) the total gross square footage of units subject to the income limits under section 273.126, the financing for the project, the federal low-income housing tax credit, revenue procedure 96-32, or section 5 of the United States Housing Act of 1937, as applicable to the project; and

(2) the total gross square footage of all units in the project.

(d) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2010.

Sec. 12. Minnesota Statutes 2008, section 297A.71, is amended by adding a subdivision to read:

**Subd. 42. Aerospace defense manufacturing facility.** (a) Materials and supplies used or consumed in, capital equipment incorporated into, and privately owned infrastructure in support of the construction, improvement, or expansion of an aerospace defense manufacturing facility are exempt if:

(1) the facility is used for the manufacturing of aerospace or defense-related sensors and the production of micro-electro-mechanical systems; and

(2) the total capital investment made at the facility is at least \$59,000,000.

(b) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and refunded in the manner provided in section 297A.75, only after the following criteria have been met:

(1) a refund may not be issued until the owner of the aerospace defense manufacturing facility has received certification from the Department of Employment and Economic Development that the aerospace defense manufacturing facility employs no less than 1,560 full-time equivalent workers within the state, and has made a total capital investment of at least \$59,000,000;

(2) for each year that the owner of the aerospace defense manufacturing facility receives certification from the Department of Employment and Economic Development that no less than 1,560 full-time equivalent worker residents are employed workers within the state, the refund may be issued to the owner of the aerospace defense manufacturing facility at a rate of 25 percent of the total allowable refund payable to date, provided that the Department of Employment and Economic Development continues to certify that no less than 1,560 full-time equivalent workers are employed workers within the state, the commissioner of revenue may make annual payments of the remaining refund until all of the refund has been paid; and

(3) to receive the refund, the owner of the aerospace defense manufacturing facility must initially apply to the Department of Employment and Economic Development for certification no later than one year from the final completion date of construction of the expansion of the aerospace defense manufacturing facility.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after July 1, 2010, and before December 31, 2015.

Sec. 13. Minnesota Statutes 2009 Supplement, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

(1) capital equipment exempt under section 297A.68, subdivision 5;

(2) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;

- 48.1 (3) building materials for mineral production facilities exempt under section  
48.2 297A.71, subdivision 14;
- 48.3 (4) building materials for correctional facilities under section 297A.71, subdivision  
48.4 3;
- 48.5 (5) building materials used in a residence for disabled veterans exempt under section  
48.6 297A.71, subdivision 11;
- 48.7 (6) elevators and building materials exempt under section 297A.71, subdivision 12;
- 48.8 (7) building materials for the Long Lake Conservation Center exempt under section  
48.9 297A.71, subdivision 17;
- 48.10 (8) materials and supplies for qualified low-income housing under section 297A.71,  
48.11 subdivision 23;
- 48.12 (9) materials, supplies, and equipment for municipal electric utility facilities under  
48.13 section 297A.71, subdivision 35;
- 48.14 (10) equipment and materials used for the generation, transmission, and distribution  
48.15 of electrical energy and an aerial camera package exempt under section 297A.68,  
48.16 subdivision 37;
- 48.17 (11) tangible personal property and taxable services and construction materials,  
48.18 supplies, and equipment exempt under section 297A.68, subdivision 41;
- 48.19 (12) commuter rail vehicle and repair parts under section 297A.70, subdivision  
48.20 3, clause (11);
- 48.21 (13) materials, supplies, and equipment for construction or improvement of projects  
48.22 and facilities under section 297A.71, subdivision 40; and
- 48.23 (14) materials, supplies, and equipment for construction or improvement of a meat  
48.24 processing facility exempt under section 297A.71, subdivision 41;
- 48.25 (15) products and services for a regionwide public safety radio communication  
48.26 system exempt under section 297A.70, subdivision 8, purchased by a local government  
48.27 after June 30, 2006, and before July 1, 2010; and
- 48.28 (16) materials, supplies, and equipment for construction, improvement, or expansion  
48.29 of an aerospace defense manufacturing facility exempt under section 297A.71, subdivision  
48.30 42.

48.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

48.32 Sec. 14. Minnesota Statutes 2009 Supplement, section 297A.75, subdivision 2, is  
48.33 amended to read:



Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

(1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

(2) for subdivision 1, clauses (4) and (7), the applicant must be the governmental subdivision;

(3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;

(4) for subdivision 1, clause (6), the applicant must be the owner of the homestead property;

(5) for subdivision 1, clause (8), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause (9), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;

(7) for subdivision 1, clauses (10), (11), and (14), the owner of the qualifying business; and

(8) for subdivision 1, clauses (12) ~~and~~ (13), (15), and (16), the applicant must be the governmental entity that owns or contracts for the project or facility.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2008, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), ~~or~~ (14), or (15), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

(c) Total refunds for purchases of items in section 297A.71, subdivision 40, must not exceed \$5,000,000 in fiscal years 2010 and 2011. Applications for refunds for purchases of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and 297A.71, subdivision 40, must not be filed until after June 30, 2009. Application for refunds for purchases of items in section 297A.75, subdivision 1, clause (15), must not be filed until after June 30, 2010.

50.1            **EFFECTIVE DATE.** This section is effective the day following final enactment.

50.2            Sec. 16. Minnesota Statutes 2008, section 297A.995, subdivision 10, is amended to  
50.3 read:

50.4            Subd. 10. **Relief from certain liability.** (a) Notwithstanding subdivision 9, sellers  
50.5 and certified service providers are relieved from liability to the state for having charged  
50.6 and collected the incorrect amount of sales or use tax resulting from the seller or certified  
50.7 service provider (1) relying on erroneous data provided by the commissioner in the  
50.8 database files on tax rates, boundaries, or taxing jurisdiction assignments, or (2) relying  
50.9 on erroneous data provided by the state in its taxability matrix concerning the taxability  
50.10 of products and services.

50.11            (b) Notwithstanding subdivision 9, sellers and certified service providers are  
50.12 relieved from liability to the state for having charged and collected the incorrect amount  
50.13 of sales or use tax resulting from the seller or certified service provider relying on the  
50.14 certification by the commissioner as to the accuracy of a certified automated system as to  
50.15 the taxability of product categories. The relief from liability provided by this paragraph  
50.16 does not apply when the sellers or certified service providers have incorrectly classified  
50.17 an item or transaction into a product category, unless the item or transaction within a  
50.18 product category was approved by the commissioner or approved jointly by the states that  
50.19 are signatories to the agreement. The sellers and certified service providers must revise a  
50.20 classification within ten days after receipt of notice from the commissioner that an item or  
50.21 transaction within a product category is incorrectly classified as to its taxability, or they  
50.22 are not relieved from liability for the incorrect classification following the notification.

50.23            (c) Notwithstanding subdivision 9, if there are not at least 30 days between the  
50.24 enactment of a new tax rate and the effective date of the new rate, sellers and certified  
50.25 service providers shall be relieved from liability for failing to collect tax at the new rate  
50.26 during the first 30 days of the rate change, beginning on the day after the date of enactment  
50.27 of the rate change, provided the seller or certified service provider continued to impose  
50.28 and collect the tax at the immediately preceding tax rate during this period. Relief from  
50.29 liability provided by this paragraph shall not apply if the failure to collect at the newly  
50.30 effective rate extends beyond 30 days after the enactment of the new rate. The relief  
50.31 provided by this paragraph shall not apply if the commissioner determines that the seller or  
50.32 certified service provider fraudulently failed to collect at the new rate or that the seller or  
50.33 certified service provider solicited purchasers based on the immediately preceding tax rate.

50.34            **EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2008, section 297A.995, subdivision 11, is amended to read:

Subd. 11. **Purchaser relief from certain liability.** (a) Notwithstanding other provisions in the law, a purchaser is relieved from liability resulting from having paid the incorrect amount of sales or use tax if a purchaser, whether or not ~~holding a~~ the commissioner gave the purchaser direct pay permit authorization, or a purchaser's seller or certified service provider relied on erroneous data provided by this state in the database files on tax rates, boundaries, taxing jurisdiction assignments, or in the taxability matrix. After providing an address-based database for assigning taxing jurisdictions and their associated rates, no relief for errors resulting from the purchaser's reliance on a database using zip codes is allowed.

(b) With respect to reliance on the taxability matrix provided by this state in paragraph (a), relief is limited to erroneous classifications in the taxability matrix for items included within the classifications as "taxable," "exempt," "included in sales price," "excluded from sales price," "included in the definition," and "excluded from the definition."

(c) Notwithstanding other provisions in the law, if there are not at least 30 days between the enactment of a new tax rate and the effective date of the new rate, a purchaser shall be relieved from liability resulting from failing to pay the tax at the new rate during the first 30 days of the rate change, beginning on the day after the date of enactment of the rate change, whether or not the purchaser has been given direct pay authorization by the commissioner. Relief from liability provided by this paragraph shall not apply if the failure to pay at the newly effective rate extends beyond 30 days after the enactment of the new rate, and shall not apply to a purchaser that did not continue to pay the tax at the immediately preceding tax rate during the 30-day period. The relief provided by this paragraph shall not apply if the commissioner determines that the purchaser fraudulently failed to pay at the new rate.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 18. **[645.025] SPECIAL LAWS; LOCAL TAXES.**

Subdivision 1. Definitions. (a) If a special law grants a local government unit or group of units the authority to impose a local tax other than sales tax, including but not limited to taxes such as lodging, entertainment, admissions, or food and beverage taxes, and the Department of Revenue either has agreed to or is required to administer the tax, such that the tax is reported and paid with the chapter 297A taxes, then the local

52.1 government unit or group of units must adopt each definition used in the special law  
52.2 as follows:

52.3 (1) the definition must be identical to the definition found in chapter 297A or in  
52.4 Minnesota Rules, chapter 8130; or

52.5 (2) if the specific term is not defined either in chapter 297A or in Minnesota Rules,  
52.6 chapter 8130, then the definition must be consistent with the position of the Department of  
52.7 Revenue as to the extent of the tax base.

52.8 (b) This subdivision does not apply to terms that are defined by the authorizing  
52.9 special law.

52.10 Subd. 2. **Application.** This section applies to a special law that is described in  
52.11 subdivision 1 that was:

52.12 (1) originally enacted prior to 2010, and that was amended by special law in or after  
52.13 2010, to extend the time for imposing the tax or to modify the tax base; or

52.14 (2) first enacted in or after 2010.

52.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.

52.16 Sec. 19. Laws 1999, chapter 243, article 4, section 18, subdivision 3, as amended by  
52.17 Laws 2008, chapter 366, article 7, section 13, is amended to read:

52.18 Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by  
52.19 subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to  
52.20 pay for construction ~~and~~ improvement, and maintenance of the following city facilities:

52.21 (1) streets; and

52.22 (2) constructing and equipping the Proctor community activity center.

52.23 Authorized expenses include, but are not limited to, acquiring property, paying  
52.24 construction and operating expenses related to the development of an authorized facility,  
52.25 maintenance expenses, and paying debt service on bonds or other obligations, including  
52.26 lease obligations, issued to finance the construction, expansion, ~~or~~ improvement or  
52.27 maintenance of an authorized facility. ~~The capital expenses for all projects authorized~~  
52.28 ~~under this paragraph that may be paid with these taxes is limited to \$3,600,000, plus an~~  
52.29 ~~amount equal to the costs related to issuance of the bonds.~~

52.30 (b) Additional revenues received from taxes authorized by subdivision 1, may be  
52.31 used by the city to pay for the following capital improvement projects: public utilities,  
52.32 including water, sanitary sewer, storm sewer, and electric; sidewalks; bikeways and trails;  
52.33 and parks and recreation.

53.1            **EFFECTIVE DATE.** This section is effective the day following final enactment,  
53.2            upon compliance by the city of Proctor with Minnesota Statutes, section 645.021,  
53.3            subdivision 3.

53.4            Sec. 20. Laws 1999, chapter 243, article 4, section 18, subdivision 4, is amended to  
53.5            read:

53.6            Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota  
53.7            Statutes, chapter 475, to finance the capital expenditure and improvement projects  
53.8            described in subdivision 3. An election to approve the bonds under Minnesota Statutes,  
53.9            section 475.58, is not required.

53.10           (b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes,  
53.11           sections 275.60 and 279.61.

53.12           (c) The bonds are not included in computing any debt limitation applicable to the  
53.13           city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of  
53.14           and interest on the bonds is not subject to any levy limitation.

53.15           (d) The aggregate principal amount of bonds, plus the aggregate of the taxes  
53.16           used directly to pay eligible capital expenditures and improvements, may not exceed  
53.17           ~~\$3,600,000, plus an amount equal to the costs related to issuance of the bonds, including~~  
53.18           ~~interest on the bonds~~ \$20,000,000.

53.19           (e) The sales and use and excise taxes authorized in this section may be pledged to  
53.20           and used for the payment of the bonds and any bonds issued to refund them only if the  
53.21           bonds and any refunding bonds are general obligations of the city.

53.22           **EFFECTIVE DATE.** This section is effective the day following final enactment,  
53.23           upon compliance by the city of Proctor with Minnesota Statutes, section 645.021,  
53.24           subdivision 3.

53.25           Sec. 21. Laws 2002, chapter 377, article 3, section 25, as amended by Laws 2009,  
53.26           chapter 88, article 4, section 19, is amended to read:

53.27           Sec. 25. **ROCHESTER LODGING TAX.**

53.28           Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section  
53.29           469.190 or 477A.016, or any other law, the city of Rochester may impose an additional  
53.30           tax of one percent on the gross receipts from the furnishing for consideration of lodging at  
53.31           a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it  
53.32           for a continuous period of 30 days or more.

53.33           Subd. 1a. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or  
53.34           477A.016, or any other law, and in addition to the tax authorized by subdivision 1, the city

of Rochester may impose an additional tax of one percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more only upon the approval of the city governing body of a total financial package for the project.

Subd. 2. **Disposition of proceeds.** (a) The gross proceeds from the tax imposed under subdivision 1 must be used by the city to fund a local convention or tourism bureau for the purpose of marketing and promoting the city as a tourist or convention center.

(b) The gross proceeds from the one percent tax imposed under subdivision 1a shall be used to pay for (1) construction, renovation, improvement, and expansion of the Mayo Civic Center and related skyway access, lighting, parking, or landscaping; and (2) for payment of any principal, interest, or premium on bonds issued to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex.

Subd. 2a. **Bonds.** The city of Rochester may issue, without an election, general obligation bonds of the city, in one or more series, in the aggregate principal amount not to exceed \$43,500,000, to pay for capital and administrative costs for the design, construction, renovation, improvement, and expansion of the Mayo Civic Center Complex, and related skyway, access, lighting, parking, and landscaping. The city may pledge the lodging tax authorized by subdivision 1a and the food and beverage tax authorized under Laws 2009, chapter 88, article 4, section 23, to the payment of the bonds. The debt represented by the bonds is not included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation or included in computing or applying any levy limitation applicable to the city.

Subd. 3. **Expiration of taxing authority.** The authority of the city to impose a tax under subdivision 1a shall expire when the principal and interest on any bonds or other obligations issued prior to December 31, 2014, to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related skyway access, lighting, parking, or landscaping have been paid, including any bonds issued to refund such bonds, or at an earlier time as the city shall, by ordinance, determine. Any funds remaining after completion of the project and retirement or redemption of the bonds shall be placed in the general fund of the city.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 22. Laws 2006, chapter 259, article 3, section 12, subdivision 3, as amended by Laws 2009, chapter 88, article 4, section 20, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from the taxes authorized by subdivisions 1 and 2 must be used to pay all or part of the capital costs of transportation projects included in the 2004 U.S. Highway 14-Owatonna Beltline Study by the Minnesota Department of Transportation, Steele County, and the city of Owatonna; regional parks and trail developments; and the West Hills complex, including the firehall, and library improvement projects; as described in the city resolution No. 4-06, Exhibit A, as adopted by the city on January 17, 2006. Notwithstanding the specific transportation projects described in city resolution No. 4-06, Exhibit A, the city may transfer up to \$1,500,000 of the sales and use tax revenues from the Alexander Street to 39th Avenue Southwest project to the reconstruction of 18th Street Southwest from 24th Avenue Southwest to 39th Avenue West. The amount paid from these revenues for transportation projects may not exceed \$4,450,000 plus associated bond costs. The amount paid from these revenues for park and trail projects may not exceed \$5,400,000 plus associated bond costs. The amount paid from these revenues for West Hills complex, fire hall, and library improvement projects may not exceed \$2,823,000 plus associated bond costs.

(b) Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, revenues received from the taxes authorized by subdivisions 1 and 2 may be used to pay all or part of the capital costs of development of Lake Chase Park and the North Straight River trail projects; and additional improvements to the West Hills complex, including the library. The amount paid from these revenues for Lake Chase Park and the North Straight River Park trail system may not exceed \$1,050,000 plus associated bond costs. The amount paid from these revenues for the additional West Hills and library complex improvement project may not exceed \$1,490,000 plus associated bond costs.

(c) The revenues from the taxes imposed under subdivisions 1 and 2 shall not be used for the purposes listed in paragraph (b) until the use of these revenues to fund those purposes has been approved by the voters at a general election held before November 30, 2011.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of Owatonna with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 23. Laws 2006, chapter 259, article 3, section 12, subdivision 4, is amended to read:

Subd. 4. **Bonds.** (a) The city of Owatonna, if approved by voters pursuant to Minnesota Statutes, section 297A.99, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 3, paragraph (a), in an amount that does not exceed \$12,700,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The city of Owatonna, if approved by voters pursuant to subdivision 3, paragraph (c), may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 3, paragraph (b), in an amount that does not exceed \$3,540,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(c) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds, is not subject to any levy limitation.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of Owatonna with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 24. Laws 2006, chapter 259, article 3, section 12, subdivision 5, is amended to read:

Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of (1) ten years plus one additional year for every \$1,100,000, or a portion of that amount, of additional projects approved under subdivision 3, paragraphs (b) and (c), after the tax is first imposed, or (2) when the city council determines that the amount of revenues received from the taxes to pay for the projects under subdivision 3 first equals or exceeds the amount authorized to be spent for each project plus the additional amount needed to pay the costs related to issuance of the bonds under subdivision 4, including interest on the bonds. Any funds remaining after completion of the projects and retirement or redemption of the bonds shall be placed in a capital project fund of the city. The taxes imposed under sections 1 and 2 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of Owatonna with Minnesota Statutes, section 645.021, subdivision 3.



57.1 Sec. 25. Laws 2009, chapter 88, article 4, section 5, the effective date, is amended to  
57.2 read:

57.3 **EFFECTIVE DATE.** This section is effective July 1, 2009, and applies to  
57.4 ~~registrations~~ leases or rentals made or renewed on or after that date.

57.5 **EFFECTIVE DATE.** This section is effective retroactively for leases or rentals  
57.6 made or renewed after June 30, 2009.

57.7 Sec. 26. Laws 2009, chapter 88, article 4, section 23, subdivision 4, is amended to read:

57.8 Subd. 4. **Expiration of taxing authority.** The authority granted under subdivision  
57.9 1 to the city to impose a one percent tax on food and beverages shall expire when the  
57.10 principal and interest on any bonds or other obligations issued prior to December 31,  
57.11 2014, to finance the construction, renovation, improvement, and expansion of the Mayo  
57.12 Civic Center Complex and related skyway access, lighting, parking, or landscaping, and  
57.13 any bonds issued to refund such bonds, have been paid or at an earlier time as the city  
57.14 shall, by ordinance, determine. Any funds remaining after completion of the project and  
57.15 retirement or redemption of the bonds shall be placed in the general fund of the city.

57.16 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
57.17 the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section  
57.18 645.021, subdivisions 2 and 3.

57.19 Sec. 27. **CITY OF CLOQUET; TAXES AUTHORIZED.**

57.20 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section  
57.21 297A.99, subdivision 1, or 477A.016, or any other provision of law, ordinance, or city  
57.22 charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, or at  
57.23 a special election held for this purpose, the city of Cloquet may impose by ordinance a  
57.24 sales and use tax of up to one-half of one percent for the purpose specified in subdivision  
57.25 3. Except as provided in this section, the provisions of Minnesota Statutes, section  
57.26 297A.99, govern the imposition, administration, collection, and enforcement of the tax  
57.27 authorized under this subdivision.

57.28 Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section  
57.29 297A.99, subdivision 1, or 477A.016, or any other provision of law, ordinance, or city  
57.30 charter, if approved by the voters, the city of Cloquet may impose by ordinance, for the  
57.31 purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as  
57.32 defined by ordinance, purchased or acquired from any person engaged within the city in  
57.33 the business of selling motor vehicles at retail.

Subd. 3. **Use of revenues.** Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the following projects:

(1) construction and completion of park improvement projects, including, but not limited to: St. Louis River riverfront improvements; Veteran's Park construction and improvements; improvements to the Hilltop Park soccer complex and Braun Park baseball complex; and development of pedestrian trails within the city;

(2) extension of utilities and the construction of all improvements associated with the development of property adjacent to Highway 33 and Interstate 35, including payment of all debt service on bonds issued for these;

(3) engineering and construction of infrastructure improvements, including, but not limited to, storm sewer, sanitary sewer, and water in areas identified as part of the city's comprehensive land use plan; and

(4) payment of outstanding debt, including the issuance of bonds, related to the construction of the Cloquet Area Recreation Center.

Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements.

Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the improvements described in subdivision 3 in an amount that does not exceed \$16,500,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(c) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of (1) 30 years, or (2) when the city council determines that the amount of revenues received from the taxes to finance the improvements described in subdivision 3 first equals or exceeds \$16,500,000, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, including interest on the bonds. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Cloquet and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 28. **CITY OF DETROIT LAKES; LOCAL TAXES AUTHORIZED.**

Subdivision 1. **Food and beverage tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of Detroit Lakes may, by ordinance, impose a sales tax of up to one percent on the gross receipts of all food and beverages by a restaurant or place of refreshment, as defined by resolution of the city, that is located within the city. For purposes of this section, "food and beverages" include retail on-sale of intoxicating liquor and fermented malt beverages.

Subd. 2. **Use of proceeds from authorized taxes.** The proceeds of the taxes imposed under subdivision 1 must be used by the city to pay all or a portion of the expenses of the following projects:

- (1) control of flowering rush infestation;
- (2) construction and improvement of bike trail facilities;
- (3) parking improvements near public facilities; and
- (4) redevelopment of the area returned to the city as a result of realignment of Highway 10.

Subd. 3. **Expiration of taxing authority.** The taxes authorized under subdivision 1 expire when the governing body of the city determines that sufficient revenues have been raised to finance the projects in subdivision 2, including the amount to prepay to retire at maturity the principal, interest, and premium due on any bonds issued for the projects.

Subd. 4. **Collection, administration, and enforcement.** The city may enter into an agreement with the commissioner of revenue to administer, collect, and enforce the taxes under subdivision 1. If the commissioner agrees to collect the tax, the provisions of Minnesota Statutes, section 297A.99, related to collection, administration, and enforcement apply.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Detroit Lakes and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 29. **CITY OF ELY; SALES AND USE TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, or at a

special election held for this purpose, the city of Ely may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from the taxes authorized by subdivision 1 must be used by the city to pay the cost of collecting the taxes and to pay for the following projects:

(1) improvements to the community center, city hall, Semer's Park, and Whiteside Park related to compliance with the Americans with Disabilities Act;

(2) improvements to the recreation center; and

(3) trail improvements and repairs.

Subd. 3. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the improvements described in subdivision 2 in an amount that does not exceed \$7,500,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(c) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

Subd. 4. **Expiration of taxing authority.** The taxes authorized under subdivision 1 expire at the earlier of: (1) 30 years; or (2) when the governing body of the city determines that sufficient revenues have been raised to finance the projects in subdivision 2, including the amount to prepay to retire at maturity the principal, interest, and premium due on any bonds issued for the projects. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Ely and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

**Sec. 30. GIANTS RIDGE RECREATION AREA TAXING AUTHORITY.**

Subdivision 1. **Additional taxes authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or charter provision to the contrary, the

61.1 city of Biwabik, upon approval both by its governing body and by the vote of at least  
61.2 seven members of the Iron Range Resources and Rehabilitation Board, may impose any or  
61.3 all of the taxes described in this section.

61.4 Subd. 2. **Use of proceeds.** The proceeds of any taxes imposed under this section,  
61.5 less refunds and costs of collection, must be deposited into the Iron Range Resources and  
61.6 Rehabilitation Board account enterprise fund created under the provisions of Minnesota  
61.7 Statutes, section 298.221, paragraph (c), and must be dedicated and expended by the  
61.8 commissioner of the Iron Range Resources and Rehabilitation Board, upon approval by  
61.9 the vote of at least seven members of the Iron Range Resources and Rehabilitation Board,  
61.10 to pay costs for the construction, renovation, improvement, expansion, and maintenance  
61.11 of public recreational facilities located in those portions of the city within the Giants  
61.12 Ridge Recreation Area as defined in Minnesota Statutes, section 298.22, subdivision 7, or  
61.13 to pay any principal, interest, or premium on any bond issued to finance the construction,  
61.14 renovation, improvement, or expansion of such public recreational facilities.

61.15 Subd. 3. **Sales tax.** The city of Biwabik, upon approval both by its governing  
61.16 body and by the vote of at least seven members of the Iron Range Resources and  
61.17 Rehabilitation Board, may impose, by ordinance, a sales tax of not more than one percent  
61.18 within the Giants Ridge Recreation Area as defined in Minnesota Statutes, section  
61.19 298.22, subdivision 7. The provisions of Minnesota Statutes, section 297A.99, except for  
61.20 subdivisions 2 and 3, govern the imposition, administration, collection, and enforcement  
61.21 of the tax authorized in this subdivision.

61.22 Subd. 4. **Lodging tax.** The city of Biwabik, upon approval both by its governing  
61.23 body and by the vote of at least seven members of the Iron Range Resources and  
61.24 Rehabilitation Board, may impose, by ordinance, a tax of not more than five percent on the  
61.25 gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. This  
61.26 tax is in addition to any tax imposed under Minnesota Statutes, section 469.190, and may  
61.27 be imposed only on gross lodging receipts generated within the Giants Ridge Recreation  
61.28 Area as defined in Minnesota Statutes, section 298.22, subdivision 7.

61.29 Subd. 5. **Admissions and recreation tax.** (a) The city of Biwabik, upon approval  
61.30 both by its governing body and by the vote of at least seven members of the Iron Range  
61.31 Resources and Rehabilitation Board, may impose, by ordinance, a tax of not more than five  
61.32 percent on admission receipts to entertainment and recreational facilities and on receipts  
61.33 from the rental of recreation equipment, at sites within the Giants Ridge Recreation Area as  
61.34 defined in Minnesota Statutes, section 298.22, subdivision 7. The provisions of Minnesota  
61.35 Statutes, section 297A.99, except for subdivisions 2 and 3, govern the imposition,  
61.36 administration, collection, and enforcement of the tax authorized in this subdivision.

(b) If the city imposes the tax under paragraph (a), it must include in the ordinance an exemption for purchases of season tickets or passes.

**Subd. 6. Food and beverage tax.** The city of Biwabik, upon approval both by its governing body and by the vote of at least seven members of the Iron Range Resources and Rehabilitation Board, may impose, by ordinance, an additional sales tax of not more than one percent on sales of food and beverages primarily for consumption on or off the premises by restaurants and places of refreshment as defined by resolution of the city within the Giants Ridge Recreation Area as defined in Minnesota Statutes, section 298.22, subdivision 7. The provisions of Minnesota Statutes, section 297A.99, except for subdivisions 2 and 3, govern the imposition, administration, collection, and enforcement of the tax authorized in this subdivision.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of Biwabik with Minnesota Statutes, section 645.021, subdivisions 2 and 3. Notwithstanding Minnesota Statutes, section 645.021, subdivision 3, the city may comply with Minnesota Statutes, section 645.021, at any time before January 1, 2012.

Sec. 31. **CITY OF HUTCHINSON; TAXES AUTHORIZED.**

**Subdivision 1. Sales and use tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Hutchinson may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. Minnesota Statutes, section 297A.99, subdivision 1, paragraph (d), does not apply to this section.

**Subd. 2. Excise tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters, the city of Hutchinson may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

**Subd. 3. Use of revenues.** Revenues received from the taxes authorized by this section must be used to pay the cost of collecting and administering the tax and to finance the costs of constructing a new water treatment facility and renovating the wastewater

treatment facility in the city of Hutchinson. Authorized costs include, but are not limited to, construction and engineering costs of the projects and associated bond costs.

Subd. 4. **Termination of tax.** The taxes authorized under subdivisions 1 and 2 terminate at the earlier of: (1) 20 years after the date of initial imposition of the tax; or (2) when the Hutchinson City Council determines that the amount of revenues raised is sufficient to pay for the projects under subdivision 3, plus the amount needed to finance the capital and administrative costs for the projects specified in subdivision 3, and to repay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects. Any funds remaining after completion of the projects specified in subdivision 3 and retirement or redemption of the associated bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of Hutchinson with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 32. **CITY OF MARSHALL; SALES AND USE TAX.**

Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1, 2, and 3, or 477A.016, or any other law, ordinance, or city charter, the city of Marshall may impose any or all of the taxes described in this section.

Subd. 2. **Sales and use tax authorized.** If approved by the voters at a general election or a special election held within two years of the date of final enactment of this section, the city of Marshall may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, except subdivisions 1, 2, and 3, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 3. **Use of sales and use tax revenues.** The revenues derived from the taxes imposed under subdivision 2 must be used by the city of Marshall to pay the costs of collecting and administering the sales and use taxes and to pay all or part of the costs of the new and existing facilities of the Minnesota Emergency Response and Industry Training Center and all or part of the costs of the facilities of the Southwest Minnesota Regional Amateur Sports Center. Authorized expenses include, but are not limited to, acquiring property, predesign, design, and paying construction, furnishing, and equipment costs related to these facilities and paying debt service on bonds or other obligations issued by the city of Marshall under subdivision 4 to finance the capital costs of these facilities.

Subd. 4. **Bonds.** (a) If the imposition of a sales and use tax is approved by the voters, the city of Marshall may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 3, and may issue bonds to refund bonds previously issued. The aggregate principal amount of bonds issued under this subdivision may not exceed \$17,290,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Marshall, including the taxes authorized under subdivision 2.

(b) The bonds are not included in computing any debt limitation applicable to the city of Marshall, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds, is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 5. **Lodging tax.** The city of Marshall may impose by ordinance a tax of up to one and one-half percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190, for the purposes specified in subdivision 6. This lodging tax is in addition to any tax imposed under Minnesota Statutes, section 469.190, and may be imposed within a tax district defined by the city council.

Subd. 6. **Use of lodging tax revenues.** The revenues derived from the tax imposed under subdivision 5 must be used by the city of Marshall to pay the costs of collecting and administering the lodging tax, to pay all or part of the operating costs of the new and existing facilities of the Minnesota Emergency Response and Industry Training Center, and to pay all or part of the operating costs of the facilities of the Southwest Minnesota Regional Amateur Sports Center, including funds necessary for promotion and marketing.

Subd. 7. **Food and beverages tax.** The city of Marshall may impose by ordinance an additional sales tax of up to one and one-half percent on all sales of food and beverages primarily for consumption on the premises by restaurants and places of refreshment that occur in the city of Marshall. The provisions of Minnesota Statutes, section 297A.99, except subdivisions 1, 2, and 3, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 8. **Use of food and beverages tax.** The revenues derived from the tax imposed under subdivision 7 must be used by the city of Marshall to pay the costs of collecting and administering the food and beverages tax, to pay all or part of the operating costs of the new and existing facilities of the Minnesota Emergency Response and Industry Training Center, and to pay all or part of the operating costs of the facilities of the Southwest Minnesota Regional Amateur Sports Center, including funds necessary for promotion and marketing.



Subd. 9. **Termination of taxes.** The taxes imposed under subdivisions 2, 5, and 7 expire at the earlier of (1) 15 years after the tax is first imposed, or (2) when the city council determines that the amount of revenues received from the taxes to pay for the capital, operating, and administrative costs of the facilities under subdivisions 3, 6, and 8 first equals or exceeds the amount authorized to be spent for the facilities plus the additional amount needed to pay the costs related to issuance of the bonds under subdivision 4, including interest on the bonds. Any funds remaining after payment of all the costs and retirement or redemption of the bonds must be placed in the general fund of the city. The taxes imposed under subdivisions 2, 5, and 7 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of Marshall with Minnesota Statutes, section 645.021, subdivision 3.

### ARTICLE 3

#### SPECIAL TAXES

Section 1. Minnesota Statutes 2008, section 60A.209, subdivision 1, is amended to read:

Subdivision 1. **Authorization; regulation.** A resident of this state may obtain insurance from an ineligible surplus lines insurer in this state through a surplus lines licensee. The licensee shall first attempt to place the insurance with a licensed insurer, or if that is not possible, with an eligible surplus lines insurer. If coverage is not obtainable from a licensed insurer or an eligible surplus lines insurer, the licensee shall certify to the commissioner, on a form prescribed by the commissioner, that these attempts were made. Upon obtaining coverage from an ineligible surplus lines insurer, the licensee shall:

(a) Have printed, typed, or stamped in red ink upon the face of the policy in not less than 10-point type the following notice: "THIS INSURANCE IS ISSUED PURSUANT TO THE MINNESOTA SURPLUS LINES INSURANCE ACT. THIS INSURANCE IS PLACED WITH AN INSURER THAT IS NOT LICENSED BY THE STATE NOR RECOGNIZED BY THE COMMISSIONER OF COMMERCE AS AN ELIGIBLE SURPLUS LINES INSURER. IN CASE OF ANY DISPUTE RELATIVE TO THE TERMS OR CONDITIONS OF THE POLICY OR THE PRACTICES OF THE INSURER, THE COMMISSIONER OF COMMERCE WILL NOT BE ABLE TO ASSIST IN THE DISPUTE. IN CASE OF INSOLVENCY, PAYMENT OF CLAIMS IS NOT GUARANTEED." The notice may not be covered or concealed in any manner; and

(b) Collect from the insured appropriate premium taxes, as provided under chapter 297I, and report the transaction to the commissioner of revenue on a form prescribed by the commissioner. If the insured fails to pay the taxes when due, the insured shall be subject to a civil fine of not more than \$3,000, plus accrued interest from the inception of the insurance.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2008, section 295.55, subdivision 2, is amended to read:

Subd. 2. **Estimated tax; hospitals; surgical centers.** (a) Each hospital or surgical center must make estimated payments of the taxes for the calendar year in monthly installments to the commissioner within 15 days after the end of the month.

(b) Estimated tax payments are not required of hospitals or surgical centers if: (1) the tax for the current calendar year is less than \$500 or less; or (2) the tax for the previous calendar year is less than \$500, ~~if the taxpayer had a tax liability and was doing business the entire year or less.~~

(c) Underpayment of estimated installments bear interest at the rate specified in section 270C.40, from the due date of the payment until paid or until the due date of the annual return whichever comes first. An underpayment of an estimated installment is the difference between the amount paid and the lesser of (1) 90 percent of one-twelfth of the tax for the calendar year or (2) one-twelfth of the total tax for the previous calendar year ~~if the taxpayer had a tax liability and was doing business the entire year.~~

**EFFECTIVE DATE.** This section is effective for gross revenues received after December 31, 2010.

Sec. 3. Minnesota Statutes 2008, section 295.55, subdivision 3, is amended to read:

Subd. 3. **Estimated tax; other taxpayers.** (a) Each taxpayer, other than a hospital or surgical center, must make estimated payments of the taxes for the calendar year in quarterly installments to the commissioner by April 15, July 15, October 15, and January 15 of the following calendar year.

(b) Estimated tax payments are not required if: (1) the tax for the current calendar year is less than \$500 or less; or (2) the tax for the previous calendar year is less than \$500, ~~if the taxpayer had a tax liability and was doing business the entire year or less.~~

(c) Underpayment of estimated installments bear interest at the rate specified in section 270C.40, from the due date of the payment until paid or until the due date of the annual return whichever comes first. An underpayment of an estimated installment is the

difference between the amount paid and the lesser of (1) 90 percent of one-quarter of the tax for the calendar year or (2) one-quarter of the total tax for the previous calendar year ~~if the taxpayer had a tax liability and was doing business the entire year.~~

**EFFECTIVE DATE.** This section is effective for gross revenues received after December 31, 2010.

Sec. 4. **[296A.061] CANCELLATION OR NONRENEWAL OF LICENSES.**

The commissioner may cancel a license or not renew a license if one of the following conditions occurs:

(1) the license holder has not filed a petroleum tax return or report for at least one year;

(2) the license holder has not reported any petroleum tax liability on the license holder's returns or reports for at least one year; or

(3) the license holder requests cancellation of the license.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2008, section 297F.01, subdivision 22a, is amended to read:

Subd. 22a. **Weighted average retail price.** "Weighted average retail price" means (1) the average retail price per pack of 20 cigarettes, with the average price weighted by the number of packs sold at each price, (2) reduced by the sales tax included in the retail price, and (3) adjusted for the expected inflation ~~from the time of the survey to the average of the 12 months that the sales tax will be imposed. The commissioner shall make the inflation adjustment in accordance with the Consumer Price Index for all urban consumers inflation indicator as published in the most recent state budget forecast. The inflation factor for the calendar year in which the new tax rate takes effect must be used. If the survey indicates that the average retail price of cigarettes has not increased relative to the average retail price in the previous year's survey, then no inflation adjustment must be made~~ as provided in section 297F.25, subdivision 1.

**EFFECTIVE DATE.** This section is effective January 1, 2011.

Sec. 6. Minnesota Statutes 2008, section 297F.04, is amended by adding a subdivision to read:

Subd. 2a. **Cancellation or nonrenewal.** The commissioner may cancel a license or not renew a license if one of the following conditions occurs:

68.1           (1) the license holder has not filed a cigarette or tobacco products tax return for at  
68.2 least one year;

68.3           (2) the license holder has not reported any cigarette or tobacco products tax liability  
68.4 on the license holder's returns for at least one year; or

68.5           (3) the license holder requests cancellation of the license.

68.6           **EFFECTIVE DATE.** This section is effective the day following final enactment.

68.7           Sec. 7. Minnesota Statutes 2008, section 297F.07, subdivision 4, is amended to read:

68.8           Subd. 4. **Sales to nonqualified buyers.** A retailer who sells or otherwise disposes of  
68.9 unstamped or untaxed stock other than to a qualified purchaser shall collect from the buyer  
68.10 or transferee the tax imposed by section 297F.05, and remit the tax to the Department of  
68.11 Revenue at the same time and manner as required by section 297F.09. If the retailer fails  
68.12 to collect the tax from the buyer or transferee, or fails to remit the tax, the retailer is  
68.13 personally responsible for the tax and the commissioner may seize any product destined to  
68.14 be delivered to the retailer. The product so seized shall be considered contraband and be  
68.15 subject to the procedures outlined in section 297F.21, subdivision 3. ~~The proceeds of the~~  
68.16 ~~sale of the stock may be applied to any tax liability owed by the retailer after deducting all~~  
68.17 ~~costs and expenses.~~

68.18           This section does not relieve the buyer or possessor of unstamped or untaxed stock  
68.19 from personal liability for the tax.

68.20           **EFFECTIVE DATE.** This section is effective the day following final enactment.

68.21           Sec. 8. Minnesota Statutes 2008, section 297F.25, subdivision 1, is amended to read:

68.22           Subdivision 1. **Imposition.** (a) A tax is imposed on distributors on the sale of  
68.23 cigarettes by a cigarette distributor to a retailer or cigarette subjobber for resale in this  
68.24 state. The tax is equal to 6.5 percent of the weighted average retail price. ~~The weighted~~  
68.25 ~~average retail price and~~ must be expressed in cents per pack ~~when~~ rounded to the nearest  
68.26 one-tenth of a cent. The weighted average retail price must be determined annually,  
68.27 with new rates published by ~~May~~ November 1, and effective for sales on or after ~~August~~  
68.28 January 1 of the following year. The weighted average retail price must be established  
68.29 by surveying cigarette retailers statewide in a manner and time determined by the  
68.30 commissioner. The commissioner shall make an inflation adjustment in accordance with  
68.31 the Consumer Price Index for all urban consumers inflation indicator as published in the  
68.32 most recent state budget forecast. The commissioner shall use the inflation factor for  
68.33 the calendar year in which the new tax rate takes effect. If the survey indicates that the

average retail price of cigarettes has not increased relative to the average retail price in the previous year's survey, then the commissioner shall not make an inflation adjustment. The determination of the commissioner pursuant to this subdivision is not a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. ~~As of August 1, 2005, the tax is 25.5 cents per pack of 20 cigarettes.~~ For packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

(b) Notwithstanding paragraph (a), and in lieu of a survey of cigarette retailers, the tax calculation of the weighted average retail price for the sales of cigarettes from August 1, 2011, through December 31, 2011, shall be calculated by (1) increasing the average retail price per pack of 20 cigarettes from the most recent survey by the percentage change in a weighted average of the presumed legal prices for cigarettes during the year after completion of that survey, as reported and published by the Department of Commerce under section 325D.371; (2) subtracting the sales tax included in the retail price; and (3) adjusting for expected inflation. The rate is published by May 1 and is effective for sales after July 31. If the weighted average of the presumed legal prices indicates that the average retail price of cigarettes has not increased relative to the average retail price in the most recent survey, then no inflation adjustment must be made. For packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

**EFFECTIVE DATE.** This section is effective January 1, 2011.

Sec. 9. Minnesota Statutes 2008, section 297I.01, subdivision 9, is amended to read:

Subd. 9. **Gross premiums.** "Gross premiums" means total premiums paid by policyholders and applicants of policies, whether received in the form of money or other valuable consideration, on property, persons, lives, interests and other risks located, resident, or to be performed in this state, but excluding consideration and premiums for reinsurance assumed from other insurance companies.

~~The term~~ (a) "Gross premiums" includes the total consideration paid to bail bond agents for bail bonds.

(b) For title insurance companies, "gross premiums" means the charge for title insurance made by a title insurance company or its agents according to the company's rate filing approved by the commissioner of commerce without a deduction for commissions paid to or retained by the agent. Gross premiums of a title insurance company does not include any other charge or fee for abstracting, searching, or examining the title, or escrow, closing, or other related services.

~~The term~~ (c) "Gross premiums" includes any workers' compensation special compensation fund premium surcharge pursuant to section 176.129.

70.1        (d) "Gross premiums" for surplus lines insurance includes all related charges,  
70.2        commissions, and fees received by the licensee. "Gross premiums" does not include  
70.3        the stamping fee, as provided under section 60A.2085, subdivision 7, nor the operating  
70.4        assessment, as provided under section 60A.208, subdivision 8.

70.5        **EFFECTIVE DATE.** This section is effective the day following final enactment.

70.6        Sec. 10. Minnesota Statutes 2008, section 297I.05, subdivision 7, is amended to read:

70.7        Subd. 7. **Surplus lines tax.** (a) A tax is imposed on surplus lines licensees. The rate  
70.8        of tax is equal to three percent of the gross premiums less return premiums ~~received by the~~  
70.9        ~~licensee minus any licensee association operating assessments paid under section 60A.208.~~

70.10       (b) If surplus lines insurance placed by a surplus lines licensee and taxed under this  
70.11       subdivision covers a subject of insurance residing, located, or to be performed outside  
70.12       this state, a proper pro rata portion of the entire premium payable for all of that insurance  
70.13       must be allocated according to the subjects of insurance residing, located, or to be  
70.14       performed in this state.

70.15       **EFFECTIVE DATE.** This section is effective the day following final enactment.

70.16       Sec. 11. Minnesota Statutes 2008, section 297I.30, subdivision 1, is amended to read:

70.17       Subdivision 1. **General rule.** On or before March 1, every ~~insurer taxpayer~~ subject  
70.18       to taxation under section 297I.05, subdivisions 1 to ~~6~~ 5, 9, 10, and 12, paragraphs (a),  
70.19       clauses (1) to ~~(5)~~ (4), ~~and~~ (b), (c), and (d), and subdivision 14, shall file an annual return  
70.20       for the preceding calendar year ~~setting forth such information as the commissioner may~~  
70.21       ~~reasonably require on forms~~ in the form prescribed by the commissioner.

70.22       **EFFECTIVE DATE.** This section is effective the day following final enactment.

70.23       Sec. 12. Minnesota Statutes 2008, section 297I.30, subdivision 2, is amended to read:

70.24       Subd. 2. **Surplus lines licensees and purchasing groups.** On or before February 15  
70.25       and August 15 of each year, every surplus lines licensee subject to taxation under section  
70.26       297I.05, subdivision 7, and every purchasing group or member of a purchasing group  
70.27       subject to tax under section 297I.05, subdivision 12, paragraph (a), clause ~~(6)~~ (5), shall file  
70.28       a return with the commissioner for the preceding six-month period ending December 31,  
70.29       or June 30, ~~setting forth any information the commissioner reasonably prescribes on forms~~  
70.30       in the form prescribed by the commissioner.

70.31       **EFFECTIVE DATE.** This section is effective the day following final enactment.

71.1 Sec. 13. Minnesota Statutes 2008, section 297I.30, subdivision 7, is amended to read:

71.2 Subd. 7. **Surcharge.** ~~(a)(1)~~ By April 30 of each year, every company required to pay  
71.3 the surcharge under section 297I.10, subdivision 1, shall file a return for the five-month  
71.4 period ending March 31 ~~setting forth any information the commissioner reasonably~~  
71.5 ~~requires on forms in the form~~ prescribed by the commissioner.

71.6 ~~(2)~~ (b) By June 30 of each year, every company required to pay the surcharge under  
71.7 section 297I.10, subdivision 1, shall file a return for the two-month period ending May 31  
71.8 ~~setting forth any information the commissioner reasonably requires on forms in the form~~  
71.9 prescribed by the commissioner.

71.10 ~~(3)~~ (c) By November 30 of each year, every company required to pay the surcharge  
71.11 under section 297I.10, subdivision 1, shall file a return for the five-month period ending  
71.12 October 31 ~~setting forth any information the commissioner reasonably requires on forms~~  
71.13 ~~in the form~~ prescribed by the commissioner.

71.14 ~~(b)~~ By February 15 and August 15 of each year, every company required to pay  
71.15 a surcharge under section 297I.10, subdivision 2, must file a return for the preceding  
71.16 six-month period ending December 31 and June 30.

71.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

71.18 Sec. 14. Minnesota Statutes 2008, section 297I.30, subdivision 8, is amended to read:

71.19 Subd. 8. **Fire insurance surcharge.** On or before May 15, August 15, November  
71.20 15, and February 15 of each year, every insurer required to pay the surcharge under  
71.21 section 297I.06, subdivisions 1 and 2, shall file a return with the commissioner for the  
71.22 preceding three-month period ending March 31, June 30, September 30, and December  
71.23 31, ~~setting forth any information the commissioner reasonably requires on forms in the~~  
71.24 ~~form~~ prescribed by the commissioner.

71.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.

71.26 Sec. 15. Minnesota Statutes 2009 Supplement, section 297I.35, subdivision 2, is  
71.27 amended to read:

71.28 Subd. 2. **Electronic payments.** If the aggregate amount of tax and surcharges  
71.29 due under this chapter during a ~~calendar~~ fiscal year ending June 30 is equal to or  
71.30 exceeds \$10,000, or if the taxpayer is required to make payment of any other tax to the  
71.31 commissioner by electronic means, then all tax and surcharge payments in the subsequent  
71.32 calendar year must be paid by electronic means.

72.1        **EFFECTIVE DATE.** This section is effective for payments due in calendar year  
72.2        2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30,  
72.3        2009, and in fiscal years thereafter.

72.4        Sec. 16. Minnesota Statutes 2008, section 297I.40, subdivision 1, is amended to read:

72.5        Subdivision 1. **Requirement to pay.** On or before March 15, June 15, September  
72.6        15, and December 15 of the current year, every taxpayer subject to tax under section  
72.7        297I.05, subdivisions 1 to ~~6~~ 5, and 12, paragraphs (a), clauses (1) to ~~(5), (b), and (c)~~ (4),  
72.8        and subdivision 14, must pay to the commissioner an installment equal to one-fourth of  
72.9        the insurer's total estimated tax for the current year.

72.10       **EFFECTIVE DATE.** This section is effective the day following final enactment.

72.11       Sec. 17. Minnesota Statutes 2008, section 297I.40, subdivision 5, is amended to read:

72.12       Subd. 5. **Definition of tax.** The term "tax" as used in this section means the tax  
72.13       imposed by section 297I.05, subdivisions 1 to ~~6~~ 5, 11, and 12, paragraphs (a), clauses (1)  
72.14       to ~~(5)~~ (4), (b), and (d), and 14, less any offset in section 297I.20.

72.15       **EFFECTIVE DATE.** This section is effective the day following final enactment.

72.16       Sec. 18. Minnesota Statutes 2008, section 297I.65, is amended by adding a subdivision  
72.17       to read:

72.18       Subd. 4. **Omission in excess of 25 percent.** Additional taxes or surcharges may be  
72.19       assessed within 6-1/2 years after the due date of the return or the date the return was filed,  
72.20       whichever is later, if the taxpayer omits from a gross premiums tax or surcharge return an  
72.21       amount of tax in excess of 25 percent of the tax or surcharge reported in the return.

72.22       **EFFECTIVE DATE.** This section is effective for premium taxes due after  
72.23       December 31, 2010.

72.24       Sec. 19. Minnesota Statutes 2008, section 298.282, subdivision 1, is amended to read:

72.25       Subdivision 1. **Distribution of taconite municipal aid account.** The amount  
72.26       deposited with the county as provided in section 298.28, subdivision 3, must be distributed  
72.27       as provided by this section among: (1) the municipalities comprising a ~~tax-relief~~ taconite  
72.28       assistance area under section ~~273.134, paragraph (b)~~ 273.1341; (2) a township that  
72.29       contains a state park consisting primarily of an underground iron ore mine; and (3) a city  
72.30       located within five miles of that state park, each being referred to in this section as a  
72.31       qualifying municipality.



73.3            Sec. 20. **REPEALER.**

**EFFECTIVE DATE.** This section is effective the day following final enactment.

73.7 **PROPERTY TAXES AND AIDS**

73.9 Subd. 2. **Assessors.** Nothing in this chapter shall be construed as requiring the  
73.10 licensing of persons employed and acting in their capacity as assessors for political  
73.11 subdivisions of the state and performing duties enumerated in section 273.061, subdivision  
73.12 7 or 8.

73.16 Sec. 2. Minnesota Statutes 2009 Supplement, section 134.34, subdivision 4, is  
73.17 amended to read:

73.30 (b) For calendar year 2009 and later, in any calendar year in which a city's or  
73.31 county's aid under sections 477A.011 to 477A.014 or ~~credits~~ credit reimbursement under

section 273.1384 is reduced after the city or county has certified its levy payable in that year, it may reduce its local support by the lesser of:

(1) ten percent; or

(2) a percent equal to the ratio of the aid and credit reimbursement reductions to the city's or county's revenue base, based on aids certified for the current calendar year. For calendar year 2009 only, the reduction under this paragraph shall be based on 2008 aid and credit reimbursement reductions under the December 2008 unallotment, as well as any aid and credit reimbursement reductions in calendar year 2009. For pay 2009 only, the commissioner of revenue will calculate the reductions under this paragraph and certify them to the commissioner of education within 15 days of May 17, 2009.

(c) For taxes payable in 2010 and later, in any payable year in which the total amounts certified for city or county aids under sections 477A.011 to 477A.014 are less than the total amounts paid under those sections in the previous calendar year, a city or county may reduce its local support by the lesser of:

(1) ten percent; or

(2) a percent equal to the ratio of:

(i) the difference between (A) the sum of the aid it was paid under sections 477A.011 to 477A.014 and the ~~credits~~ credit reimbursement it received under section ~~273.1398~~ 273.1384 in the previous calendar year and (B) the sum of the aid it is certified to be paid in the current calendar year under sections 477A.011 to 477A.014 and the ~~credits~~ credit reimbursement estimated to be paid under section ~~273.1398~~ 273.1384; to

(ii) its revenue base for the previous year, based on aids actually paid in the previous calendar year. The commissioner of revenue shall calculate the percent aid cut for each county and city under this paragraph and certify the percentage cuts to the commissioner of education by August 1 of the year prior to the year in which the reduced aids and ~~credits~~ credit reimbursements are to be paid. The percentage of reduction related to reductions to ~~credits~~ credit reimbursements under section 273.1384 shall be based on the best estimation available as of July 30.

(d) Notwithstanding paragraph (a), (b), or (c), no city or county shall reduce its support for public libraries below the minimum level specified in subdivision 1.

(e) For purposes of this subdivision, "revenue base" means the sum of:

(1) its levy for taxes payable in the current calendar year, including the levy on the fiscal disparities distribution under section 276A.06, subdivision 3, paragraph (a), or 473F.08, subdivision 3, paragraph (a);

(2) its aid under sections 477A.011 to 477A.014 in the current calendar year; and

(3) its taconite aid in the current calendar year under sections 298.28 and 298.282.

**EFFECTIVE DATE.** This section is effective retroactively for support in calendar year 2009 and thereafter and for library grants paid in fiscal year 2010 and thereafter.

Sec. 3. Minnesota Statutes 2008, section 270.075, subdivision 1, is amended to read:

Subdivision 1. **Rate of tax.** The commissioner shall determine the rate of tax to be levied and collected against the net tax capacity as determined pursuant to section 270.074, subdivision ~~2~~ 3, to generate revenues sufficient to fund the airflight property tax portion of each year's state airport fund appropriation, as certified to the commissioner by the commissioner of transportation. The certification must be presented to the commissioner prior to November 15 of each year. The property tax portion of the state airport fund appropriation is the difference between the total fund appropriation and the estimated total fund revenues from other sources for the state fiscal year in which the tax is payable. ~~If a levy amount has not been certified by September 1 of a levy year, the commissioner shall use the last previous certified amount to determine the rate of tax.~~ The certification by the commissioner of transportation to the commissioner shall state the total fund appropriation and shall list individually the estimated fund revenues. The difference of these amounts shall be shown as the property tax portion of the state airport fund appropriation.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and thereafter.

Sec. 4. Minnesota Statutes 2008, section 270.41, subdivision 5, is amended to read:

Subd. 5. **Prohibited activity.** A licensed assessor or other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes is prohibited from making appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report as defined in section 82B.02, subdivisions 2 to 5, on any property within the assessment jurisdiction where the individual is employed or performing the duties of the assessor under contract. Violation of this prohibition shall result in immediate revocation of the individual's license to assess property for property tax purposes. This prohibition must not be construed to prohibit an individual from carrying out any duties required for the proper assessment of property for property tax purposes or performing duties enumerated in section 273.061, subdivision 7 or 8. If a formal resolution has been adopted by the governing body of a governmental unit, which specifies the purposes for which such work will be done, this prohibition does not apply to appraisal activities undertaken on behalf of and at the request of the governmental unit that has employed or contracted with

the individual. The resolution may only allow appraisal activities which are related to condemnations, right-of-way acquisitions, or special assessments.

**EFFECTIVE DATE.** This section is effective the day following final enactment for testimony offered and opinions or reports prepared in cases or proceedings that have not been finally resolved.

Sec. 5. Minnesota Statutes 2008, section 270C.87, is amended to read:

**270C.87 REVISION OF MINNESOTA ASSESSORS' MANUAL.**

In accordance with the provisions of section ~~270C.06~~ 270C.85, the commissioner shall periodically revise the Minnesota assessors' manual.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2008, section 270C.94, subdivision 3, is amended to read:

Subd. 3. **Failure to appraise.** When an assessor has failed to properly appraise at least one-fifth of the parcels of property in a district or county as provided in section 273.01, the commissioner ~~shall~~ may appoint a special assessor and deputy assessor as necessary and cause a reappraisal to be made of the property due for reassessment in accordance with law.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2008, section 272.02, subdivision 31, is amended to read:

Subd. 31. **Business incubator property.** Property owned by a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code that is intended to be used as a business incubator in a high-unemployment county, is exempt. As used in this subdivision, a "business incubator" is a facility used for the development of nonretail businesses, offering access to equipment, space, services, and advice to the tenant businesses, for the purpose of encouraging economic development, diversification, and job creation in the area served by the organization, and "high-unemployment county" is a county that had an average annual unemployment rate of 7.9 percent or greater in 1997. Property that qualifies for the exemption under this subdivision is limited to no more than two contiguous parcels and structures that do not exceed in the aggregate 40,000 square feet. This exemption expires after taxes payable in ~~2011~~ 2016.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2008, section 272.0213, is amended to read:

**272.0213 LEASED SEASONAL-RECREATIONAL LAND.**

~~A county board may elect, by resolution, to~~ Qualified lands, as defined in this  
section, are exempt from taxation, including an exemption from the tax under section  
273.19, qualified lands. "Qualified lands" for purposes of this section means property that:  
(1) is owned by a county, city, town, the state, or the federal governments; and  
(2) is rented by the entity for noncommercial seasonal-recreational or noncommercial  
seasonal-recreational residential use; ~~and~~  
~~(3) was rented for the purposes specified in clause (2) and was exempt from taxation~~  
~~for property taxes payable in 2008.~~

**EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and  
thereafter.

Sec. 9. Minnesota Statutes 2008, section 272.025, subdivision 1, is amended to read:

Subdivision 1. **Statement of exemption.** (a) Except in the case of ~~churches and~~  
~~houses of worship, property solely used for educational purposes by academics, colleges,~~  
~~universities or seminaries of learning,~~ property owned by the state of Minnesota or any  
political subdivision thereof, and property exempt from taxation under section 272.02,  
subdivisions 9, 10, 13, 15, 18, 20, and 22 to ~~26~~ 25, and at the times provided in subdivision  
3, a taxpayer claiming an exemption from taxation on property described in section  
272.02, subdivisions 1 to 33, ~~shall~~ must file a statement of exemption with the assessor of  
the assessment district in which the property is located.

(b) A taxpayer claiming an exemption from taxation on property described in section  
272.02, subdivision 10, ~~shall~~ must file a statement of exemption with the commissioner  
of revenue, on or before February 15 of each year for which the taxpayer claims an  
exemption.

(c) In case of sickness, absence or other disability or for good cause, the assessor  
or the commissioner may extend the time for filing the statement of exemption for a  
period not to exceed 60 days.

(d) The commissioner of revenue shall prescribe the form and contents of the  
statement of exemption.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and  
thereafter.

Sec. 10. Minnesota Statutes 2008, section 272.025, subdivision 3, is amended to read:

Subd. 3. **Filing dates.** (a) The statement required by subdivision 1, paragraph (a), must be filed with the assessor by February 1 of the assessment year, however, any taxpayer who has filed the statement required by subdivision 1 more than 12 months prior to February 1, 1983, or February 1 of each third year after 1983, shall file a statement by February 1, 1983, and by February 1 of each third year thereafter.

(b) For churches and houses of worship, and property solely used for educational purposes by academies, colleges, universities, or seminaries of learning, no statement is required after the statement filed for the assessment year in which the exemption began.

(c) This section does not apply to existing churches and houses of worship, and property solely used for educational purposes by academies, colleges, universities, or seminaries of learning that were exempt for taxes payable in 2011.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and thereafter.

Sec. 11. Minnesota Statutes 2008, section 272.029, subdivision 4, is amended to read:

Subd. 4. **Reports.** (a) An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before February 1 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the form of the report. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of ~~40~~ 60 percent.

(b) On or before February 28, the commissioner of revenue shall notify the owner of the wind energy conversion systems of the tax due to each county for the current year and shall certify to the county auditor of each county in which the systems are located the tax due from each owner for the current year.

**EFFECTIVE DATE.** This section is effective beginning with reports due on February 1, 2011, and thereafter.

Sec. 12. Minnesota Statutes 2008, section 272.029, subdivision 7, is amended to read:

Subd. 7. **Exemption.** The tax imposed under this section does not apply to electricity produced by wind energy conversion systems located in a job opportunity

building zone, ~~designated under section 469.314~~, for the duration of the zone. The exemption applies beginning for the first calendar year after designation of the zone and applies to each calendar year that begins during the designation of the zone. The exemption only applies if the owner of the system is a qualified business under section 469.310, subdivision 11, who has entered into a business subsidy agreement that covers the land on which the system is situated.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2008, section 273.061, subdivision 7, is amended to read:

Subd. 7. **Division of duties between local and county assessor.** The duty of the duly appointed local assessor shall be to view and appraise the value of all property as provided by law, but all the book work shall be done by the county assessor, or the assessor's assistants, and the value of all property subject to assessment and taxation shall be determined by the county assessor, except as otherwise hereinafter provided. If directed by the county assessor, the local assessor shall perform the duties enumerated in subdivision 8, paragraph (16).

**EFFECTIVE DATE.** This section is effective the day following final enactment for testimony offered and opinions or reports prepared in cases or proceedings that have not been finally resolved.

Sec. 14. Minnesota Statutes 2008, section 273.061, subdivision 8, is amended to read:

Subd. 8. **Powers and duties.** The county assessor shall have the following powers and duties:

(1) To call upon and confer with the township and city assessors in the county, and advise and give them the necessary instructions and directions as to their duties under the laws of this state, to the end that a uniform assessment of all real property in the county will be attained.

(2) To assist and instruct the local assessors in the preparation and proper use of land maps and record cards, in the property classification of real and personal property, and in the determination of proper standards of value.

(3) To keep the local assessors in the county advised of all changes in assessment laws and all instructions which the assessor receives from the commissioner of revenue relating to their duties.

(4) To have authority to require the attendance of groups of local assessors at sectional meetings called by the assessor for the purpose of giving them further assistance and instruction as to their duties.

(5) To immediately commence the preparation of a large scale topographical land map of the county, in such form as may be prescribed by the commissioner of revenue, showing thereon the location of all railroads, highways and roads, bridges, rivers and lakes, swamp areas, wooded tracts, stony ridges and other features which might affect the value of the land. Appropriate symbols shall be used to indicate the best, the fair, and the poor land of the county. For use in connection with the topographical land map, the assessor shall prepare and keep available in the assessor's office tables showing fair average minimum and maximum market values per acre of cultivated, meadow, pasture, cutover, timber and waste lands of each township. The assessor shall keep the map and tables available in the office for the guidance of town assessors, boards of review, and the county board of equalization.

(6) To also prepare and keep available in the office for the guidance of town assessors, boards of review and the county board of equalization, a land valuation map of the county, in such form as may be prescribed by the commissioner of revenue. This map, which shall include the bordering tier of townships of each county adjoining, shall show the average market value per acre, both with and without improvements, as finally equalized in the last assessment of real estate, of all land in each town or unorganized township which lies outside the corporate limits of cities.

(7) To regularly examine all conveyances of land outside the corporate limits of cities of the first and second class, filed with the county recorder of the county, and keep a file, by descriptions, of the considerations shown thereon. From the information obtained by comparing the considerations shown with the market values assessed, the assessor shall make recommendations to the county board of equalization of necessary changes in individual assessments or aggregate valuations.

(8) To become familiar with the values of the different items of personal property so as to be in a position when called upon to advise the boards of review and the county board of equalization concerning property, market values thereof.

(9) While the county board of equalization is in session, to give it every possible assistance to enable it to perform its duties. The assessor shall furnish the board with all necessary charts, tables, comparisons, and data which it requires in its deliberations, and shall make whatever investigations the board may desire.

(10) At the request of either the board of county commissioners or the commissioner of revenue, to investigate applications for reductions of valuation and abatements and



81.1 settlements of taxes, examine the real or personal property involved, and submit written  
81.2 reports and recommendations with respect to the applications, in such form as may be  
81.3 prescribed by the board of county commissioners and commissioner of revenue.

81.4 (11) To make diligent search each year for real and personal property which has been  
81.5 omitted from assessment in the county, and report all such omissions to the county auditor.

81.6 (12) To regularly confer with county assessors in all adjacent counties about the  
81.7 assessment of property in order to uniformly assess and equalize the value of similar  
81.8 properties and classes of property located in adjacent counties. The conference shall  
81.9 emphasize the assessment of agricultural and commercial and industrial property or other  
81.10 properties that may have an inadequate number of sales in a single county.

81.11 (13) To render such other services pertaining to the assessment of real and personal  
81.12 property in the county as are not inconsistent with the duties set forth in this section, and as  
81.13 may be required by the board of county commissioners or by the commissioner of revenue.

81.14 (14) To maintain a record, in conjunction with other county offices, of all transfers of  
81.15 property to assist in determining the proper classification of property, including but not  
81.16 limited to, transferring homestead property and name changes on homestead property.

81.17 (15) To determine if a homestead application is required due to the transfer of  
81.18 homestead property or an owner's name change on homestead property.

81.19 (16) To perform appraisals of property, review the original assessment and determine  
81.20 the accuracy of the original assessment, prepare an appraisal or appraisal report, and  
81.21 testify before any court or other body as an expert or otherwise on behalf of the assessor's  
81.22 jurisdiction with respect to properties in that jurisdiction.

81.23 **EFFECTIVE DATE.** This section is effective the day following final enactment  
81.24 for testimony offered and opinions or reports prepared in cases or proceedings that have  
81.25 not been finally resolved.

81.26 Sec. 15. Minnesota Statutes 2009 Supplement, section 273.111, subdivision 3a,  
81.27 is amended to read:

81.28 Subd. 3a. **Property no longer eligible for deferment.** (a) Real estate receiving the  
81.29 tax deferment under this section for assessment year 2008, but that does not qualify for  
81.30 the 2009 assessment year due to changes in qualification requirements under Laws 2008,  
81.31 chapter 366, shall continue to qualify until: (1) the land is sold, transferred, or subdivided,  
81.32 or (2) the 2013 assessment, whichever is earlier, provided that the property continues to  
81.33 meet the requirements of Minnesota Statutes 2006, section 273.111, subdivision 3.

(b) Except as provided in paragraph (c), and subdivision 9, paragraph (b), when property assessed under this subdivision is withdrawn from the program or becomes ineligible, the property shall be subject to additional taxes as provided in subdivision 9.

(c) If land described in paragraph (a) is (1) sold or otherwise transferred to a son or daughter of the owner, or (2) transferred from a family farm limited liability company upon its termination to a son or daughter of an individual who had an ownership interest in the company, it will continue to qualify for treatment under this section as long as it continues to meet the requirements of Minnesota Statutes 2006, section 273.111, subdivision 3, but no later than the 2013 assessment.

(d) When property assessed under this subdivision is removed from the program and is enrolled in the rural preserve property tax law program under section 273.114, the property is not subject to the additional taxes required under this subdivision or subdivision 9.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and thereafter.

Sec. 16. Minnesota Statutes 2009 Supplement, section 273.111, subdivision 4, is amended to read:

Subd. 4. **Determination of value.** (a) The value of any real estate described in subdivision 3 shall upon timely application by the owner, in the manner provided in subdivision 8, be determined solely with reference to its appropriate agricultural classification and value notwithstanding sections 272.03, subdivision 8, and 273.11. Furthermore, the assessor shall not consider any added values resulting from nonagricultural factors. In order to account for the presence of nonagricultural influences that may affect the value of agricultural land, the commissioner of revenue shall, in consultation with the Department of Applied Economics at the University of Minnesota, develop a fair and uniform method of determining ~~agricultural values~~ the average agricultural production value of agricultural land for each county in the state ~~that are~~ consistent with this subdivision. The values must be determined using appropriate sales data and must consider the most recent available county or regional data for agricultural production, prices, production expenses, rent, and investment return. The commissioner shall annually assign the resulting ~~values~~ countywide average value to each county, and these values shall be used as the basis for determining the agricultural value for all properties in the county qualifying for tax deferment under this section. In determining the relative value of agricultural land for each assessment district compared to the county average, the county assessor shall, in consultation with the Department of Revenue, use

83.1 appropriate market and agricultural factors including soil type and soil classification data  
83.2 available from detailed and general soil surveys.

83.3 (b) In the case of property qualifying for tax deferment only under subdivision 3a,  
83.4 the assessor shall not consider the presence of commercial, industrial, residential, or  
83.5 seasonal recreational land use influences in determining the value for ad valorem tax  
83.6 purposes provided that in no case shall the value exceed the value prescribed by the  
83.7 commissioner of revenue for class 2a tillable property in that county.

83.8 **EFFECTIVE DATE.** This section is effective for assessment year 2011 and  
83.9 thereafter.

83.10 Sec. 17. Minnesota Statutes 2008, section 273.113, subdivision 3, is amended to read:

83.11 Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify  
83.12 to the commissioner of revenue, as part of the abstracts of tax lists required to be filed  
83.13 with the commissioner under section 275.29, the amount of tax lost to the county from  
83.14 the property tax credit under subdivision 2. Any prior year adjustments must also be  
83.15 certified in the abstracts of tax lists. The commissioner of revenue shall review the  
83.16 certifications to determine their accuracy. The commissioner may make the changes  
83.17 in the certification that are considered necessary or return a certification to the county  
83.18 auditor for corrections. The commissioner shall reimburse each taxing district, other than  
83.19 school districts, for the taxes lost. The payments must be made at the time provided in  
83.20 section 473H.10 for payment to taxing jurisdictions in the same proportion that the ad  
83.21 valorem tax is distributed. Reimbursements to school districts must be made as provided  
83.22 in section 273.1392. The amount necessary to make the reimbursements under this section  
83.23 is annually appropriated from the general fund to the commissioner of revenue.

83.24 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in  
83.25 2009 and thereafter.

83.26 Sec. 18. Minnesota Statutes 2009 Supplement, section 273.114, subdivision 2, is  
83.27 amended to read:

83.28 Subd. 2. **Requirements.** Class 2a or 2b property that had been assessed under  
83.29 Minnesota Statutes 2006, section 273.111, or that is part of an agricultural homestead  
83.30 under Minnesota Statutes, section 273.13, subdivision 23, paragraph (a), is entitled to  
83.31 valuation and tax deferment under this section if:

83.32 (1) the land consists of at least ten acres;

(2) a conservation management plan for the land must be prepared by an approved plan writer and implemented during the period in which the land is subject to valuation and deferment under this section;

(3) the land must be enrolled for a minimum of ten years; ~~and~~

(4) there are no delinquent property taxes on the land; and

~~Real estate may~~ (5) the property is not be also enrolled for valuation and deferment under ~~this section and section 273.111, or 273.112, or 273.117, or chapter 290C,~~ concurrently or 473H.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 19. Minnesota Statutes 2009 Supplement, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for ~~each lot occupied by a shareholder~~ the park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land ~~for each homestead~~.

(b) The manufactured home park shall be ~~valued and assessed as if it were homestead property within class 1~~ entitled to homestead treatment if all of the following criteria are met:

(1) ~~the occupant is using the property as a permanent residence;~~

(2) the occupant or the cooperative corporation or association is paying the ad valorem property taxes and any special assessments levied against the land and structure either directly, or indirectly through dues to the corporation or association; and

(3) (2) the corporation or association organized under chapter 308A or 308B is wholly owned by persons having a right to occupy a lot owned by the corporation or association.

(c) A charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, qualifies for homestead treatment with respect to ~~member residents of the~~ a manufactured home park ~~who~~ if its members hold residential participation warrants entitling them to occupy a lot in the manufactured home park.

(d) "Homestead treatment" under this subdivision means the class rate provided for class 4c(5)(ii) property under section 273.13, subdivision 25. The homestead market

85.1 value credit under section 273.1384 does not apply and the property taxes assessed  
85.2 against the park shall not be included in the determination of taxes payable for rent paid  
85.3 under section 290A.03.

85.4 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and  
85.5 thereafter.

85.6 Sec. 20. Minnesota Statutes 2008, section 273.124, subdivision 14, is amended to read:

85.7 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than  
85.8 ten acres that is the homestead of its owner must be classified as class 2a under section  
85.9 273.13, subdivision 23, paragraph (a), if:

85.10 (1) the parcel on which the house is located is contiguous on at least two sides to (i)  
85.11 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife  
85.12 Service, or (iii) land administered by the Department of Natural Resources on which in  
85.13 lieu taxes are paid under sections 477A.11 to 477A.14;

85.14 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least  
85.15 20 acres;

85.16 (3) the noncontiguous land is located not farther than four townships or cities, or a  
85.17 combination of townships or cities from the homestead; and

85.18 (4) the agricultural use value of the noncontiguous land and farm buildings is equal  
85.19 to at least 50 percent of the market value of the house, garage, and one acre of land.

85.20 Homesteads initially classified as class 2a under the provisions of this paragraph shall  
85.21 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining  
85.22 properties, as long as the homestead remains under the same ownership, the owner owns a  
85.23 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use  
85.24 value qualifies under clause (4). Homestead classification under this paragraph is limited  
85.25 to property that qualified under this paragraph for the 1998 assessment.

85.26 (b)(i) Agricultural property shall be classified as the owner's homestead, to the same  
85.27 extent as other agricultural homestead property, if all of the following criteria are met:

85.28 (1) the property consists of at least 40 acres including undivided government lots  
85.29 and correctional 40's;

85.30 (2) the owner, the owner's spouse, the son or daughter of the owner or owner's  
85.31 spouse, the brother or sister of the owner or owner's spouse, or the grandson or  
85.32 granddaughter of the owner or the owner's spouse, is actively farming the agricultural  
85.33 property, either on the person's own behalf as an individual or on behalf of a partnership  
85.34 operating a family farm, family farm corporation, joint family farm venture, or limited  
85.35 liability company of which the person is a partner, shareholder, or member;

(3) both the owner of the agricultural property and the person who is actively farming the agricultural property under clause (2), are Minnesota residents;

(4) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

(5) neither the owner nor the person actively farming the property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, except that if the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse, whichever is actively farming the agricultural property, may live more than four townships or cities, or combination of four townships or cities from the agricultural property.

The relationship under this paragraph may be either by blood or marriage.

(ii) Real property held by a trustee under a trust is eligible for agricultural homestead classification under this paragraph if the qualifications in clause (i) are met, except that "owner" means the grantor of the trust.

(iii) Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

(c) Noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

(d) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

(e) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) a shareholder, member, or partner of that entity is actively farming the agricultural property;

(3) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;

(4) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

(5) that shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

(h) To be eligible for the special agricultural homestead under this subdivision, an initial full application must be submitted to the county assessor where the property is located. Owners and the persons who are actively farming the property shall be required to complete only a one-page abbreviated version of the application in each subsequent year provided that none of the following items have changed since the initial application:

(1) the day-to-day operation, administration, and financial risks remain the same;

(2) the owners and the persons actively farming the property continue to live within the four townships or city criteria and are Minnesota residents;

(3) the same operator of the agricultural property is listed with the Farm Service Agency;

(4) a Schedule F or equivalent income tax form was filed for the most recent year;

(5) the property's acreage is unchanged; and

(6) none of the property's acres have been enrolled in a federal or state farm program since the initial application.

The owners and any persons who are actively farming the property must include the appropriate Social Security numbers, and sign and date the application. If any of the specified information has changed since the full application was filed, the owner must notify the assessor, and must complete a new application to determine if the property continues to qualify for the special agricultural homestead. The commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

(i) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified agricultural homesteads for subsequent assessments if:



(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by the August 2007 floods;

(2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha, or Winona;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2007 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the August 2007 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the owner must notify the assessor by December 1, 2008. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(j) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the March 2009 floods;

(2) the property is located in the county of Marshall;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2008 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 2009 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

**EFFECTIVE DATE.** This section is effective for assessment years 2010 and 2011, for taxes payable in 2011 and 2012.

Sec. 21. Minnesota Statutes 2008, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the

case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 of market value of class 1a property has a net class rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a class rate of 1.25 percent of its market value.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by:

(1) any person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse;

(2) any person who is permanently and totally disabled or by the disabled person and the disabled person's spouse; or

(3) the surviving spouse of a permanently and totally disabled veteran homesteading a property classified under this paragraph for taxes payable in 2008.

Property is classified and assessed under clause (2) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph, and that the property is not eligible for the valuation exclusion under subdivision 34.

Property is classified and assessed under paragraph (b) only if the commissioner of revenue or the county assessor certifies that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$50,000 market value of class 1b property has a net class rate of .45 percent of its market value. The remaining market value of class 1b property has a class rate using the rates for class 1a or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this clause, property is devoted to a commercial

91.1 purpose on a specific day if any portion of the property, excluding the portion used  
91.2 exclusively as a homestead, is used for residential occupancy and a fee is charged for  
91.3 residential occupancy. Class 1c property must contain three or more rental units. A  
91.4 "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual  
91.5 camping site equipped with water and electrical hookups for recreational vehicles. Class  
91.6 1c property must provide recreational activities such as the rental of ice fishing houses,  
91.7 boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina  
91.8 services, launch services, or guide services; or sell bait and fishing tackle. Any unit in  
91.9 which the right to use the property is transferred to an individual or entity by deeded  
91.10 interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may  
91.11 remain available for rent. A camping pad offered for rent by a property that otherwise  
91.12 qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as  
91.13 long as the use of the camping pad does not exceed 250 days. If an owner of property  
91.14 that had been classified as class 1c ceases to use that property as a homestead but retains  
91.15 ownership of that property and continues to operate it as a resort, and begins to occupy  
91.16 a second property that is located in the same township as the original class 1c property,  
91.17 both properties will be assessed as a single class 1c property, provided that the second  
91.18 property would separately qualify to be assessed as class 1c property. The portion of the  
91.19 property used as a homestead is class 1a property under paragraph (a). The remainder  
91.20 of the property is classified as follows: the first \$600,000 of market value is tier I, the  
91.21 next \$1,700,000 of market value is tier II, and any remaining market value is tier III.  
91.22 The class rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III,  
91.23 1.25 percent. Owners of real and personal property devoted to temporary and seasonal  
91.24 residential occupancy for recreation purposes in which all or a portion of the property  
91.25 was devoted to commercial purposes for not more than 250 days in the year preceding  
91.26 the year of assessment desiring classification as class 1c, must submit a declaration to the  
91.27 assessor designating the cabins or units occupied for 250 days or less in the year preceding  
91.28 the year of assessment by January 15 of the assessment year. Those cabins or units and  
91.29 a proportionate share of the land on which they are located must be designated as class  
91.30 1c as otherwise provided. The remainder of the cabins or units and a proportionate share  
91.31 of the land on which they are located must be designated as class 3a commercial. The  
91.32 owner of property desiring designation as class 1c property must provide guest registers or  
91.33 other records demonstrating that the units for which class 1c designation is sought were  
91.34 not occupied for more than 250 days in the year preceding the assessment if so requested.  
91.35 The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference  
91.36 center or meeting room, and (5) other nonresidential facility operated on a commercial

92.1 basis not directly related to temporary and seasonal residential occupancy for recreation  
92.2 purposes does not qualify for class 1c.

92.3 (d) Class 1d property includes structures that meet all of the following criteria:

92.4 (1) the structure is located on property that is classified as agricultural property under  
92.5 section 273.13, subdivision 23;

92.6 (2) the structure is occupied exclusively by seasonal farm workers during the time  
92.7 when they work on that farm, and the occupants are not charged rent for the privilege of  
92.8 occupying the property, provided that use of the structure for storage of farm equipment  
92.9 and produce does not disqualify the property from classification under this paragraph;

92.10 (3) the structure meets all applicable health and safety requirements for the  
92.11 appropriate season; and

92.12 (4) the structure is not salable as residential property because it does not comply  
92.13 with local ordinances relating to location in relation to streets or roads.

92.14 The market value of class 1d property has the same class rates as class 1a property  
92.15 under paragraph (a).

92.16 **EFFECTIVE DATE.** This section is effective for taxes levied in 2010, payable  
92.17 in 2011, and thereafter.

92.18 Sec. 22. Minnesota Statutes 2009 Supplement, section 273.13, subdivision 23, is  
92.19 amended to read:

92.20 Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural  
92.21 land that is homesteaded, along with any class 2b rural vacant land that is contiguous to  
92.22 the class 2a land under the same ownership. The market value of the house and garage  
92.23 and immediately surrounding one acre of land has the same class rates as class 1a or 1b  
92.24 property under subdivision 22. The value of the remaining land including improvements  
92.25 up to the first tier valuation limit of agricultural homestead property has a net class rate  
92.26 of 0.5 percent of market value. The remaining property over the first tier has a class rate  
92.27 of one percent of market value. For purposes of this subdivision, the "first tier valuation  
92.28 limit of agricultural homestead property" and "first tier" means the limit certified under  
92.29 section 273.11, subdivision 23.

92.30 (b) Class 2a agricultural land consists of parcels of property, or portions thereof, that  
92.31 are agricultural land and buildings. Class 2a property has a net class rate of one percent of  
92.32 market value, unless it is part of an agricultural homestead under paragraph (a). Class  
92.33 2a property must also include any property that would otherwise be classified as 2b,  
92.34 but is interspersed with class 2a property, including but not limited to sloughs, wooded  
92.35 wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback

requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold separately from the rest of the property.

An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

(c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that are unplatted real estate, rural in character and not used for agricultural purposes, including land used for growing trees for timber, lumber, and wood and wood products, that is not improved with a structure. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph. Any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, and ten acres must be assigned to the split parcel containing the structure. Class 2b property has a net class rate of one percent of market value unless it is part of an agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

(d) Class 2c managed forest land consists of no less than 20 and no more than 1,920 acres statewide per taxpayer that is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program. It has a class rate of .65 percent, provided that the owner of the property must apply to the assessor in order for the property to initially qualify for the reduced rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate. If the assessor receives the application and information before May 1 in an assessment year, the property qualifies beginning with that assessment year. If the assessor receives the application and information after April 30 in an assessment year, the property may not qualify until the next assessment year. The commissioner of natural resources must concur that the land is qualified. The commissioner of natural resources shall annually provide county assessors verification information on a timely basis. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph.

(e) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products

94.1 being dried or stored must have been produced by the same farm entity as the entity  
94.2 operating the drying or storage facility. "Agricultural purposes" also includes enrollment  
94.3 in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal  
94.4 Conservation Reserve Program as contained in Public Law 99-198 or a similar state  
94.5 or federal conservation program if the property was classified as agricultural (i) under  
94.6 this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment.  
94.7 Agricultural classification shall not be based upon the market value of any residential  
94.8 structures on the parcel or contiguous parcels under the same ownership.

94.9 (f) Real estate of less than ten acres, which is exclusively or intensively used for  
94.10 raising or cultivating agricultural products, shall be considered as agricultural land. To  
94.11 qualify under this paragraph, property that includes a residential structure must be used  
94.12 intensively for one of the following purposes:

94.13 (i) for drying or storage of grain or storage of machinery or equipment used to  
94.14 support agricultural activities on other parcels of property operated by the same farming  
94.15 entity;

94.16 (ii) as a nursery, provided that only those acres used to produce nursery stock are  
94.17 considered agricultural land;

94.18 (iii) for livestock or poultry confinement, provided that land that is used only for  
94.19 pasturing and grazing does not qualify; or

94.20 (iv) for market farming; for purposes of this paragraph, "market farming" means the  
94.21 cultivation of one or more fruits or vegetables or production of animal or other agricultural  
94.22 products for sale to local markets by the farmer or an organization with which the farmer  
94.23 is affiliated.

94.24 (g) Land shall be classified as agricultural even if all or a portion of the agricultural  
94.25 use of that property is the leasing to, or use by another person for agricultural purposes.

94.26 Classification under this subdivision is not determinative for qualifying under  
94.27 section 273.111.

94.28 (h) The property classification under this section supersedes, for property tax  
94.29 purposes only, any locally administered agricultural policies or land use restrictions that  
94.30 define minimum or maximum farm acreage.

94.31 (i) The term "agricultural products" as used in this subdivision includes production  
94.32 for sale of:

94.33 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing  
94.34 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains,  
94.35 bees, and apiary products by the owner;

95.1 (2) fish bred for sale and consumption if the fish breeding occurs on land zoned  
95.2 for agricultural use;

95.3 (3) the commercial boarding of horses, which may include related horse training  
95.4 and riding instruction, if the boarding is done ~~in conjunction with~~ on property that is also  
95.5 used for raising pasture to graze horses or raising or cultivating other agricultural products  
95.6 as defined in clause (1);

95.7 (4) property which is owned and operated by nonprofit organizations used for  
95.8 equestrian activities, excluding racing;

95.9 (5) game birds and waterfowl bred and raised for use on a shooting preserve licensed  
95.10 under section 97A.115;

95.11 (6) insects primarily bred to be used as food for animals;

95.12 (7) trees, grown for sale as a crop, including short rotation woody crops, and not  
95.13 sold for timber, lumber, wood, or wood products; and

95.14 (8) maple syrup taken from trees grown by a person licensed by the Minnesota  
95.15 Department of Agriculture under chapter 28A as a food processor.

95.16 (j) If a parcel used for agricultural purposes is also used for commercial or industrial  
95.17 purposes, including but not limited to:

95.18 (1) wholesale and retail sales;

95.19 (2) processing of raw agricultural products or other goods;

95.20 (3) warehousing or storage of processed goods; and

95.21 (4) office facilities for the support of the activities enumerated in clauses (1), (2),  
95.22 and (3),

95.23 the assessor shall classify the part of the parcel used for agricultural purposes as class  
95.24 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its  
95.25 use. The grading, sorting, and packaging of raw agricultural products for first sale is  
95.26 considered an agricultural purpose. A greenhouse or other building where horticultural  
95.27 or nursery products are grown that is also used for the conduct of retail sales must be  
95.28 classified as agricultural if it is primarily used for the growing of horticultural or nursery  
95.29 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of  
95.30 those products. Use of a greenhouse or building only for the display of already grown  
95.31 horticultural or nursery products does not qualify as an agricultural purpose.

95.32 (k) The assessor shall determine and list separately on the records the market value  
95.33 of the homestead dwelling and the one acre of land on which that dwelling is located. If  
95.34 any farm buildings or structures are located on this homesteaded acre of land, their market  
95.35 value shall not be included in this separate determination.

(l) Class 2d airport landing area consists of a landing area or public access area of a privately owned public use airport. It has a class rate of one percent of market value. To qualify for classification under this paragraph, a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under this paragraph must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of this paragraph. For purposes of this paragraph, "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

(m) Class 2e consists of land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, provided that the land is not located in a county that has elected to opt-out of the aggregate preservation program as provided in section 273.1115, subdivision 6. It has a class rate of one percent of market value. To qualify for classification under this paragraph, the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;

(3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and

(4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.



For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

(n) When any portion of the property under this subdivision or subdivision 22 begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

(o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in section 14.386 concerning exempt rules do not apply.

**EFFECTIVE DATE.** This section is effective for property taxes levied in 2010 and thereafter, for property taxes payable in 2011 and thereafter.

Sec. 23. Minnesota Statutes 2009 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a class rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;

(2) manufactured homes not classified under any other provision;

98.1 (3) a dwelling, garage, and surrounding one acre of property on a nonhomestead  
98.2 farm classified under subdivision 23, paragraph (b) containing two or three units; and  
98.3 (4) unimproved property that is classified residential as determined under subdivision  
98.4 33.

98.5 The market value of class 4b property has a class rate of 1.25 percent.

98.6 (c) Class 4bb includes:

98.7 (1) nonhomestead residential real estate containing one unit, other than seasonal  
98.8 residential recreational property; and

98.9 (2) a single family dwelling, garage, and surrounding one acre of property on a  
98.10 nonhomestead farm classified under subdivision 23, paragraph (b).

98.11 Class 4bb property has the same class rates as class 1a property under subdivision 22.

98.12 Property that has been classified as seasonal residential recreational property at  
98.13 any time during which it has been owned by the current owner or spouse of the current  
98.14 owner does not qualify for class 4bb.

98.15 (d) Class 4c property includes:

98.16 (1) except as provided in subdivision 22, paragraph (c), real and personal property  
98.17 devoted to temporary and seasonal residential occupancy for recreation purposes,  
98.18 including real and personal property devoted to temporary and seasonal residential  
98.19 occupancy for recreation purposes and not devoted to commercial purposes for more  
98.20 than 250 days in the year preceding the year of assessment. For purposes of this clause,  
98.21 property is devoted to a commercial purpose on a specific day if any portion of the  
98.22 property is used for residential occupancy, and a fee is charged for residential occupancy.

98.23 Class 4c property under this clause must contain three or more rental units. A "rental unit"  
98.24 is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site  
98.25 equipped with water and electrical hookups for recreational vehicles. Class 4c property  
98.26 under this clause must provide recreational activities such as renting ice fishing houses,  
98.27 boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina  
98.28 services, launch services, or guide services; or sell bait and fishing tackle. A camping pad  
98.29 offered for rent by a property that otherwise qualifies for class 4c under this clause is also  
98.30 class 4c under this clause regardless of the term of the rental agreement, as long as the  
98.31 use of the camping pad does not exceed 250 days. In order for a property to be classified  
98.32 as class 4c, seasonal residential recreational for commercial purposes under this clause,  
98.33 (i) at least 40 percent of the annual gross lodging receipts related to the property must be  
98.34 from business conducted during 90 consecutive days and either ~~(i)~~ (A) at least 60 percent  
98.35 of all paid bookings by lodging guests during the year must be for periods of at least  
98.36 two consecutive nights; or ~~(ii)~~ (B) at least 20 percent of the annual gross receipts must

99.1 be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or  
99.2 cross-country ski equipment, or charges for marina services, launch services, and guide  
99.3 services, or the sale of bait and fishing tackle; or (ii) the property contains 20 or fewer  
99.4 rental units, is devoted to temporary residential occupancy for no more than 250 days in the  
99.5 year, meets the requirement in item (i), subitem (A), is located in a township or a city with  
99.6 a population of 2,500 or less, that is located outside the metropolitan area as defined under  
99.7 section 473.121, subdivision 2, and that contains a portion of a state trail administered by  
99.8 the Department of Natural Resources. For purposes of this determination, a paid booking  
99.9 of five or more nights shall be counted as two bookings. Class 4c property classified under  
99.10 this clause also includes commercial use real property used exclusively for recreational  
99.11 purposes in conjunction with other class 4c property classified under this clause and  
99.12 devoted to temporary and seasonal residential occupancy for recreational purposes, up to a  
99.13 total of two acres, provided the property is not devoted to commercial recreational use for  
99.14 more than 250 days in the year preceding the year of assessment and is located within two  
99.15 miles of the class 4c property with which it is used. Owners of real and personal property  
99.16 devoted to temporary and seasonal residential occupancy for recreation purposes and all  
99.17 or a portion of which was devoted to commercial purposes for not more than 250 days in  
99.18 the year preceding the year of assessment desiring classification as class 4c, must submit a  
99.19 declaration to the assessor designating the cabins or units occupied for 250 days or less in  
99.20 the year preceding the year of assessment by January 15 of the assessment year. Those  
99.21 cabins or units and a proportionate share of the land on which they are located must  
99.22 be designated class 4c under this clause as otherwise provided. The remainder of the  
99.23 cabins or units and a proportionate share of the land on which they are located will be  
99.24 designated as class 3a. The owner of property desiring designation as class 4c property  
99.25 under this clause must provide guest registers or other records demonstrating that the units  
99.26 for which class 4c designation is sought were not occupied for more than 250 days in the  
99.27 year preceding the assessment if so requested. The portion of a property operated as a  
99.28 (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other  
99.29 nonresidential facility operated on a commercial basis not directly related to temporary  
99.30 and seasonal residential occupancy for recreation purposes does not qualify for class 4c;  
99.31 (2) qualified property used as a golf course if:  
99.32 (i) it is open to the public on a daily fee basis. It may charge membership fees or  
99.33 dues, but a membership fee may not be required in order to use the property for golfing,  
99.34 and its green fees for golfing must be comparable to green fees typically charged by  
99.35 municipal courses; and  
99.36 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and not used for residential purposes on either a temporary or permanent basis, provided that:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause,

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal Revenue Code; and

(D) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for

101.1 eligibility for the current year's assessment. The commissioner shall prescribe a uniform  
101.2 application form and instructions;

101.3 (4) postsecondary student housing of not more than one acre of land that is owned by  
101.4 a nonprofit corporation organized under chapter 317A and is used exclusively by a student  
101.5 cooperative, sorority, or fraternity for on-campus housing or housing located within two  
101.6 miles of the border of a college campus;

101.7 (5)(i) manufactured home parks as defined in section 327.14, subdivision 3,  
101.8 excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii)  
101.9 manufactured home parks as defined in section 327.14, subdivision 3, that are described in  
101.10 section 273.124, subdivision 3a;

101.11 (6) real property that is actively and exclusively devoted to indoor fitness, health,  
101.12 social, recreational, and related uses, is owned and operated by a not-for-profit corporation,  
101.13 and is located within the metropolitan area as defined in section 473.121, subdivision 2;

101.14 (7) a leased or privately owned noncommercial aircraft storage hangar not exempt  
101.15 under section 272.01, subdivision 2, and the land on which it is located, provided that:

101.16 (i) the land is on an airport owned or operated by a city, town, county, Metropolitan  
101.17 Airports Commission, or group thereof; and

101.18 (ii) the land lease, or any ordinance or signed agreement restricting the use of the  
101.19 leased premise, prohibits commercial activity performed at the hangar.

101.20 If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must  
101.21 be filed by the new owner with the assessor of the county where the property is located  
101.22 within 60 days of the sale;

101.23 (8) a privately owned noncommercial aircraft storage hangar not exempt under  
101.24 section 272.01, subdivision 2, and the land on which it is located, provided that:

101.25 (i) the land abuts a public airport; and

101.26 (ii) the owner of the aircraft storage hangar provides the assessor with a signed  
101.27 agreement restricting the use of the premises, prohibiting commercial use or activity  
101.28 performed at the hangar; and

101.29 (9) residential real estate, a portion of which is used by the owner for homestead  
101.30 purposes, and that is also a place of lodging, if all of the following criteria are met:

101.31 (i) rooms are provided for rent to transient guests that generally stay for periods  
101.32 of 14 or fewer days;

101.33 (ii) meals are provided to persons who rent rooms, the cost of which is incorporated  
101.34 in the basic room rate;

101.35 (iii) meals are not provided to the general public except for special events on fewer  
101.36 than seven days in the calendar year preceding the year of the assessment; and

102.1 (iv) the owner is the operator of the property.

102.2 The market value subject to the 4c classification under this clause is limited to five rental  
102.3 units. Any rental units on the property in excess of five, must be valued and assessed as  
102.4 class 3a. The portion of the property used for purposes of a homestead by the owner must  
102.5 be classified as class 1a property under subdivision 22;

102.6 (10) real property up to a maximum of three acres and operated as a restaurant  
102.7 as defined under section 157.15, subdivision 12, provided it: (A) is located on a lake  
102.8 as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (B)  
102.9 is either devoted to commercial purposes for not more than 250 consecutive days, or  
102.10 receives at least 60 percent of its annual gross receipts from business conducted during  
102.11 four consecutive months. Gross receipts from the sale of alcoholic beverages must be  
102.12 included in determining the property's qualification under subitem (B). The property's  
102.13 primary business must be as a restaurant and not as a bar. Gross receipts from gift shop  
102.14 sales located on the premises must be excluded. Owners of real property desiring 4c  
102.15 classification under this clause must submit an annual declaration to the assessor by  
102.16 February 1 of the current assessment year, based on the property's relevant information for  
102.17 the preceding assessment year; and

102.18 (11) lakeshore and riparian property and adjacent land, not to exceed six acres, used  
102.19 as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to  
102.20 the public and devoted to recreational use for marina services. The marina owner must  
102.21 annually provide evidence to the assessor that it provides services, including lake or river  
102.22 access to the public by means of an access ramp or other facility that is either located on  
102.23 the property of the marina or at a publicly owned site that abuts the property of the marina.  
102.24 No more than 800 feet of lakeshore may be included in this classification. Buildings used  
102.25 in conjunction with a marina for marina services, including but not limited to buildings  
102.26 used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing  
102.27 tackle, are classified as class 3a property.

102.28 Class 4c property has a class rate of 1.5 percent of market value, except that (i) each  
102.29 parcel of seasonal residential recreational property not used for commercial purposes  
102.30 has the same class rates as class 4bb property, (ii) manufactured home parks assessed  
102.31 under clause (5), item (i), have the same class rate as class 4b property, and the market  
102.32 value of manufactured home parks assessed under clause (5), item (ii), has the same class  
102.33 rate as class 4d property if more than 50 percent of the lots in the park are occupied by  
102.34 shareholders in the cooperative corporation or association and a class rate of one percent if  
102.35 50 percent or less of the lots are so occupied, (iii) commercial-use seasonal residential  
102.36 recreational property and marina recreational land as described in clause (11), has a

class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of 0.75 percent.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2010, payable in 2011 and thereafter.

Sec. 24. Minnesota Statutes 2008, section 273.1392, is amended to read:

**273.1392 PAYMENT; SCHOOL DISTRICTS.**

The amounts of bovine tuberculosis credit reimbursements under section 273.113; conservation tax credits under section 273.119; disaster or emergency reimbursement under sections 273.1231 to 273.1235; homestead and agricultural credits under section 273.1384; aids and credits under section 273.1398; wetlands reimbursement under section 275.295; enterprise zone property credit payments under section 469.171; and metropolitan agricultural preserve reduction under section 473H.10 for school districts, shall be certified to the Department of Education by the Department of Revenue. The amounts so certified shall be paid according to section 127A.45, subdivisions 9 and 13.

**EFFECTIVE DATE.** This section is effective retroactively for taxes payable in 2009 and thereafter.

Sec. 25. Minnesota Statutes 2009 Supplement, section 275.065, subdivision 3, is amended to read:

**Subd. 3. Notice of proposed property taxes.** (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24

104.1 each year, by first class mail to each taxpayer at the address listed on the county's current  
104.2 year's assessment roll, a notice of proposed property taxes. Upon written request by  
104.3 the taxpayer, the treasurer may send the notice in electronic form or by electronic mail  
104.4 instead of on paper or by ordinary mail.

104.5 (b) The commissioner of revenue shall prescribe the form of the notice.

104.6 (c) The notice must inform taxpayers that it contains the amount of property taxes  
104.7 each taxing authority proposes to collect for taxes payable the following year. In the  
104.8 case of a town, or in the case of the state general tax, the final tax amount will be its  
104.9 proposed tax. The notice must clearly state for each city that has a population over 500,  
104.10 county, school district, regional library authority established under section 134.201, and  
104.11 metropolitan taxing districts as defined in paragraph (i), the time and place of ~~the a meeting~~  
104.12 for each taxing authorities' regularly scheduled meetings authority in which the budget  
104.13 and levy will be discussed and public input allowed, prior to the final budget and levy  
104.14 ~~determined, which must occur after November 24~~ determination. The taxing authorities  
104.15 must provide the county auditor with the information to be included in the notice on or  
104.16 before the time it certifies its proposed levy under subdivision 1. The public must be  
104.17 allowed to speak at ~~the meetings and the meetings shall~~ that meeting, which must occur  
104.18 after November 24 and must not be held before 6:00 p.m. It must provide a telephone  
104.19 number for the taxing authority that taxpayers may call if they have questions related to  
104.20 the notice and an address where comments will be received by mail.

104.21 (d) The notice must state for each parcel:

104.22 (1) the market value of the property as determined under section 273.11, and used  
104.23 for computing property taxes payable in the following year and for taxes payable in the  
104.24 current year as each appears in the records of the county assessor on November 1 of the  
104.25 current year; and, in the case of residential property, whether the property is classified as  
104.26 homestead or nonhomestead. The notice must clearly inform taxpayers of the years to  
104.27 which the market values apply and that the values are final values;

104.28 (2) the items listed below, shown separately by county, city or town, and state general  
104.29 tax, net of the residential and agricultural homestead credit under section 273.1384, voter  
104.30 approved school levy, other local school levy, and the sum of the special taxing districts,  
104.31 and as a total of all taxing authorities:

104.32 (i) the actual tax for taxes payable in the current year; and

104.33 (ii) the proposed tax amount.

104.34 If the county levy under clause (2) includes an amount for a lake improvement  
104.35 district as defined under sections 103B.501 to 103B.581, the amount attributable for that  
104.36 purpose must be separately stated from the remaining county levy amount.



In the case of a town or the state general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for Minneapolis Park and Recreation shall be listed separately from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul Library Agency must be listed separately from the remaining amount of the city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be listed separately from the remaining amount of the county's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda and school district levy referenda;

(3) a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;

(4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(5) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(6) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

106.1 (g) If the notice the taxpayer receives under this section lists the property as  
106.2 nonhomestead, and satisfactory documentation is provided to the county assessor by the  
106.3 applicable deadline, and the property qualifies for the homestead classification in that  
106.4 assessment year, the assessor shall reclassify the property to homestead for taxes payable  
106.5 in the following year.

106.6 (h) In the case of class 4 residential property used as a residence for lease or rental  
106.7 periods of 30 days or more, the taxpayer must either:

106.8 (1) mail or deliver a copy of the notice of proposed property taxes to each tenant,  
106.9 renter, or lessee; or

106.10 (2) post a copy of the notice in a conspicuous place on the premises of the property.

106.11 The notice must be mailed or posted by the taxpayer by November 27 or within  
106.12 three days of receipt of the notice, whichever is later. A taxpayer may notify the county  
106.13 treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to  
106.14 which the notice must be mailed in order to fulfill the requirements of this paragraph.

106.15 (i) For purposes of this subdivision and subdivision 6, "metropolitan special taxing  
106.16 districts" means the following taxing districts in the seven-county metropolitan area that  
106.17 levy a property tax for any of the specified purposes listed below:

106.18 (1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325,  
106.19 473.446, 473.521, 473.547, or 473.834;

106.20 (2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672;  
106.21 and

106.22 (3) Metropolitan Mosquito Control Commission under section 473.711.

106.23 For purposes of this section, any levies made by the regional rail authorities in the  
106.24 county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter  
106.25 398A shall be included with the appropriate county's levy.

106.26 (j) The governing body of a county, city, or school district may, with the consent  
106.27 of the county board, include supplemental information with the statement of proposed  
106.28 property taxes about the impact of state aid increases or decreases on property tax  
106.29 increases or decreases and on the level of services provided in the affected jurisdiction.  
106.30 This supplemental information may include information for the following year, the current  
106.31 year, and for as many consecutive preceding years as deemed appropriate by the governing  
106.32 body of the county, city, or school district. It may include only information regarding:

106.33 (1) the impact of inflation as measured by the implicit price deflator for state and  
106.34 local government purchases;

106.35 (2) population growth and decline;

106.36 (3) state or federal government action; and

107.1 (4) other financial factors that affect the level of property taxation and local services  
107.2 that the governing body of the county, city, or school district may deem appropriate to  
107.3 include.

107.4 The information may be presented using tables, written narrative, and graphic  
107.5 representations and may contain instruction toward further sources of information or  
107.6 opportunity for comment.

107.7 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in  
107.8 2010 and thereafter.

107.9 Sec. 26. Minnesota Statutes 2009 Supplement, section 275.70, subdivision 5, as  
107.10 amended by Laws 2010, chapter 215, article 13, section 3, is amended to read:

107.11 Subd. 5. **Special levies.** "Special levies" means those portions of ad valorem taxes  
107.12 levied by a local governmental unit for the following purposes or in the following manner:

107.13 (1) to pay the costs of the principal and interest on bonded indebtedness or to  
107.14 reimburse for the amount of liquor store revenues used to pay the principal and interest  
107.15 due on municipal liquor store bonds in the year preceding the year for which the levy  
107.16 limit is calculated;

107.17 (2) to pay the costs of principal and interest on certificates of indebtedness issued for  
107.18 any corporate purpose except for the following:

107.19 (i) tax anticipation or aid anticipation certificates of indebtedness;

107.20 (ii) certificates of indebtedness issued under sections 298.28 and 298.282;

107.21 (iii) certificates of indebtedness used to fund current expenses or to pay the costs of  
107.22 extraordinary expenditures that result from a public emergency; or

107.23 (iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an  
107.24 insufficiency in other revenue sources, provided that nothing in this subdivision limits the  
107.25 special levy authorized under section 475.755;

107.26 (3) to provide for the bonded indebtedness portion of payments made to another  
107.27 political subdivision of the state of Minnesota;

107.28 (4) to fund payments made to the Minnesota State Armory Building Commission  
107.29 under section 193.145, subdivision 2, to retire the principal and interest on armory  
107.30 construction bonds;

107.31 (5) property taxes approved by voters which are levied against the referendum  
107.32 market value as provided under section 275.61;

107.33 (6) to fund matching requirements needed to qualify for federal or state grants or  
107.34 programs to the extent that either (i) the matching requirement exceeds the matching

108.1 requirement in calendar year 2001, or (ii) it is a new matching requirement that did not  
108.2 exist prior to 2002;

108.3 (7) to pay the expenses reasonably and necessarily incurred in preparing for or  
108.4 repairing the effects of natural disaster including the occurrence or threat of widespread  
108.5 or severe damage, injury, or loss of life or property resulting from natural causes, in  
108.6 accordance with standards formulated by the Emergency Services Division of the state  
108.7 Department of Public Safety, as allowed by the commissioner of revenue under section  
108.8 275.74, subdivision 2;

108.9 (8) pay amounts required to correct an error in the levy certified to the county  
108.10 auditor by a city or county in a levy year, but only to the extent that when added to the  
108.11 preceding year's levy it is not in excess of an applicable statutory, special law or charter  
108.12 limitation, or the limitation imposed on the governmental subdivision by sections 275.70  
108.13 to 275.74 in the preceding levy year;

108.14 (9) to pay an abatement under section 469.1815;

108.15 (10) to pay any costs attributable to increases in the employer contribution rates  
108.16 under chapter 353, or locally administered pension plans, that are effective after June  
108.17 30, 2001;

108.18 (11) to pay the operating or maintenance costs of a county jail as authorized in  
108.19 section 641.01 or 641.262, or of a correctional facility as defined in section 241.021,  
108.20 subdivision 1, paragraph (f), to the extent that the county can demonstrate to the  
108.21 commissioner of revenue that the amount has been included in the county budget as  
108.22 a direct result of a rule, minimum requirement, minimum standard, or directive of the  
108.23 Department of Corrections, or to pay the operating or maintenance costs of a regional jail  
108.24 as authorized in section 641.262. For purposes of this clause, a district court order is  
108.25 not a rule, minimum requirement, minimum standard, or directive of the Department of  
108.26 Corrections. If the county utilizes this special levy, except to pay operating or maintenance  
108.27 costs of a new regional jail facility under sections 641.262 to 641.264 which will not  
108.28 replace an existing jail facility, any amount levied by the county in the previous levy year  
108.29 for the purposes specified under this clause and included in the county's previous year's  
108.30 levy limitation computed under section 275.71, shall be deducted from the levy limit  
108.31 base under section 275.71, subdivision 2, when determining the county's current year  
108.32 levy limitation. The county shall provide the necessary information to the commissioner  
108.33 of revenue for making this determination;

108.34 (12) to pay for operation of a lake improvement district, as authorized under section  
108.35 103B.555. If the county utilizes this special levy, any amount levied by the county in the  
108.36 previous levy year for the purposes specified under this clause and included in the county's

previous year's levy limitation computed under section 275.71 shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(13) to repay a state or federal loan used to fund the direct or indirect required spending by the local government due to a state or federal transportation project or other state or federal capital project. This authority may only be used if the project is not a local government initiative;

(14) to pay for court administration costs as required under section 273.1398, subdivision 4b, less the (i) county's share of transferred fines and fees collected by the district courts in the county for calendar year 2001 and (ii) the aid amount certified to be paid to the county in 2004 under section 273.1398, subdivision 4c; however, for taxes levied to pay for these costs in the year in which the court financing is transferred to the state, the amount under this clause is limited to the amount of aid the county is certified to receive under section 273.1398, subdivision 4a;

(15) to fund a police or firefighters relief association as required under section 69.77 to the extent that the required amount exceeds the amount levied for this purpose in 2001;

(16) for purposes of a storm sewer improvement district under section 444.20;

(17) to pay for the maintenance and support of a city or county society for the prevention of cruelty to animals under section 343.11, but not to exceed in any year \$4,800 or the sum of \$1 per capita based on the county's or city's population as of the most recent federal census, whichever is greater. If the city or county uses this special levy, any amount levied by the city or county in the previous levy year for the purposes specified in this clause and included in the city's or county's previous year's levy limit computed under section 275.71, must be deducted from the levy limit base under section 275.71, subdivision 2, in determining the city's or county's current year levy limit;

(18) for counties, to pay for the increase in their share of health and human service costs caused by reductions in federal health and human services grants effective after September 30, 2007;

(19) for a city, for the costs reasonably and necessarily incurred for securing, maintaining, or demolishing foreclosed or abandoned residential properties, as allowed by the commissioner of revenue under section 275.74, subdivision 2. A city must have either (i) a foreclosure rate of at least 1.4 percent in 2007, or (ii) a foreclosure rate in 2007 in the city or in a zip code area of the city that is at least 50 percent higher than the average foreclosure rate in the metropolitan area, as defined in section 473.121, subdivision 2, to use this special levy. For purposes of this paragraph, "foreclosure rate" means the

110.1 number of foreclosures, as indicated by sheriff sales records, divided by the number of  
110.2 households in the city in 2007;

110.3 (20) for a city, for the unreimbursed costs of redeployed traffic-control agents and  
110.4 lost traffic citation revenue due to the collapse of the Interstate 35W bridge, as certified  
110.5 to the Federal Highway Administration;

110.6 (21) to pay costs attributable to wages and benefits for sheriff, police, and fire  
110.7 personnel. If a local governmental unit did not use this special levy in the previous year its  
110.8 levy limit base under section 275.71 shall be reduced by the amount equal to the amount it  
110.9 levied for the purposes specified in this clause in the previous year;

110.10 (22) an amount equal to any reductions in the certified aids or ~~credits~~ credit  
110.11 reimbursements payable under sections 477A.011 to 477A.014, and section 273.1384, due  
110.12 to unallotment under section 16A.152 or reductions under another provision of law. The  
110.13 amount of the levy allowed under this clause for each year is equal ~~equal~~ limited to the amount  
110.14 unallotted or reduced ~~in~~ from the aids and credit reimbursements certified for payment in  
110.15 the year following the calendar year in which the tax levy is levied ~~levied~~ certified unless the  
110.16 unallotment or reduction amount is not known by September 1 of the levy certification  
110.17 year, and the local government has not adjusted its levy under section 275.065, subdivision  
110.18 6, or 275.07, subdivision 6, in which case ~~the~~ that unallotment or reduction amount may  
110.19 be levied in the following year;

110.20 (23) to pay for the difference between one-half of the costs of confining sex offenders  
110.21 undergoing the civil commitment process and any state payments for this purpose pursuant  
110.22 to section 253B.185, subdivision 5;

110.23 (24) for a county to pay the costs of the first year of maintaining and operating a new  
110.24 facility or new expansion, either of which contains courts, corrections, dispatch, criminal  
110.25 investigation labs, or other public safety facilities and for which all or a portion of the  
110.26 funding for the site acquisition, building design, site preparation, construction, and related  
110.27 equipment was issued or authorized prior to the imposition of levy limits in 2008. The  
110.28 levy limit base shall then be increased by an amount equal to the new facility's first full  
110.29 year's operating costs as described in this clause; and

110.30 (25) for the estimated amount of reduction to market value credit reimbursements  
110.31 under section 273.1384 for credits payable in the year in which the levy is payable.

110.32 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in  
110.33 2010 and thereafter.

110.34 Sec. 27. Minnesota Statutes 2008, section 275.71, subdivision 4, is amended to read:

111.1 Subd. 4. **Adjusted levy limit base.** For taxes levied in 2008 through 2010, the  
111.2 adjusted levy limit base is equal to the levy limit base computed under subdivision 2  
111.3 or section 275.72, multiplied by:

111.4 (1) one plus the lesser of (i) 3.9 percent, or (ii) the greater of 1.17 percent, or the  
111.5 percentage growth increase in the implicit price deflator;

111.6 (2) one plus a percentage equal to 50 percent of the percentage increase in the number  
111.7 of households, if any, for the most recent 12-month period for which data is available; and

111.8 (3) one plus a percentage equal to 50 percent of the percentage increase in the  
111.9 taxable market value of the jurisdiction due to new construction of class 3 property, as  
111.10 defined in section 273.13, subdivision 4, except for state-assessed utility and railroad  
111.11 property, for the most recent year for which data is available.

111.12 **EFFECTIVE DATE.** This section is effective for taxes levied in 2010, payable  
111.13 in 2011 only.

111.14 Sec. 28. Minnesota Statutes 2008, section 275.71, subdivision 5, is amended to read:

111.15 Subd. 5. **Property tax levy limit.** (a) For taxes levied in 2008 through 2010, the  
111.16 property tax levy limit for a local governmental unit is equal to its adjusted levy limit  
111.17 base determined under subdivision 4 plus any additional levy authorized under section  
111.18 275.73, which is levied against net tax capacity, reduced by the sum of (i) the total amount  
111.19 of aids and reimbursements that the local governmental unit is certified to receive under  
111.20 sections 477A.011 to 477A.014, (ii) taconite aids under sections 298.28 and 298.282  
111.21 including any aid which was required to be placed in a special fund for expenditure in  
111.22 the next succeeding year, (iii) estimated payments to the local governmental unit under  
111.23 section 272.029, adjusted for any error in estimation in the preceding year, and (iv) aids  
111.24 under section 477A.16.

111.25 (b) If an aid, payment, or other amount used in paragraph (a) to reduce a local  
111.26 government unit's levy limit is reduced by an unallotment under section 16A.152, the  
111.27 amount of the aid, payment, or other amount prior to the unallotment is used in the  
111.28 computations in paragraph (a). In order for a local government unit to levy outside of its  
111.29 limit to offset the reduction in revenues attributable to an unallotment, it must do so under,  
111.30 and to the extent authorized by, a special levy authorization.

111.31 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in  
111.32 2010 and thereafter.

Sec. 29. Minnesota Statutes 2008, section 276.02, is amended to read:

**276.02 TREASURER TO BE COLLECTOR.**

The county treasurer shall collect all taxes extended on the tax lists of the county and the fines, forfeitures, or penalties received by any person or officer for the use of the county. The treasurer shall collect the taxes according to law and credit them to the proper funds. This section does not apply to fines and penalties accruing to municipal corporations for the violation of their ordinances that are recoverable before a city justice. Taxes, fines, interest, and penalties must be paid with United States currency or by check ~~or~~, money order, or electronic payments, including, but not limited to, automated clearing house transactions and federal wires drawn on a bank or other financial institution in the United States. The county board may by resolution authorize the treasurer to impose a charge for any dishonored checks or electronic payments. The charges for dishonored payment of property taxes must be added to the tax and collected as part thereof.

The county board may, by resolution, authorize the treasurer and/or other designees to accept payments of real property taxes by credit card provided that a fee is charged for its use. The fee charged must be commensurate with the costs assessed by the card issuer. If a credit card transaction under this section is subsequently voided or otherwise reversed, the lien of real property taxes under section 272.31 is revived and attaches in the manner and time provided in that section as though the credit card transaction had never occurred, and the voided or reversed credit card transaction shall not impair the right of a lienholder under section 272.31 to enforce the lien in its favor.

**EFFECTIVE DATE.** This section is effective for property taxes payable in 2011 and thereafter.

Sec. 30. Minnesota Statutes 2009 Supplement, section 276.04, subdivision 2, is amended to read:

**Subd. 2. Contents of tax statements.** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The tax statement must not state or imply that property tax credits are paid by the state of Minnesota. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3,



paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated except that: (1) any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly under the appropriate county's levy; and (2) any levy by a special taxing district that exceeds 25 percent of the total of all special taxing district levies on a tax statement must be separately stated. If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

- (1) the property's estimated market value under section 273.11, subdivision 1;
- (2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;
- (3) the property's gross tax, before credits;
- (4) for homestead residential and agricultural properties, the credits under section 273.1384;
- (5) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of

114.1 credit received under section 273.135 must be separately stated and identified as "taconite  
114.2 tax relief"; and

114.3 (6) the net tax payable in the manner required in paragraph (a).

114.4 (d) If the county uses envelopes for mailing property tax statements and if the county  
114.5 agrees, a taxing district may include a notice with the property tax statement notifying  
114.6 taxpayers when the taxing district will begin its budget deliberations for the current  
114.7 year, and encouraging taxpayers to attend the hearings. If the county allows notices to  
114.8 be included in the envelope containing the property tax statement, and if more than  
114.9 one taxing district relative to a given property decides to include a notice with the tax  
114.10 statement, the county treasurer or auditor must coordinate the process and may combine  
114.11 the information on a single announcement.

114.12 **EFFECTIVE DATE.** This section is effective for tax statements relating to taxes  
114.13 payable in 2011 and thereafter.

114.14 Sec. 31. Minnesota Statutes 2008, section 279.01, subdivision 3, is amended to read:

114.15 Subd. 3. **Agricultural property.** In the case of class 1b agricultural homestead, and  
114.16 class 2a agricultural homestead and 2b property, and class 2b(3) agricultural nonhomestead  
114.17 property, no penalties shall attach to the second one-half property tax payment as provided  
114.18 in this section if paid by November 15. Thereafter for class 1b agricultural homestead and  
114.19 class 2a and 2b homestead property, on November 16 following, a penalty of six percent  
114.20 shall accrue and be charged on all such unpaid taxes and on December 1 following, an  
114.21 additional two percent shall be charged on all such unpaid taxes. Thereafter for class ~~2b(3)~~  
114.22 ~~agricultural~~ 2a and 2b nonhomestead property, on November 16 following, a penalty of  
114.23 eight percent shall accrue and be charged on all such unpaid taxes and on December 1  
114.24 following, an additional four percent shall be charged on all such unpaid taxes.

114.25 If the owner of class 1b agricultural homestead, or class 2a, ~~or class 2b(3)~~  
114.26 ~~agricultural~~ or 2b property receives a consolidated property tax statement that shows  
114.27 only an aggregate of the taxes and special assessments due on that property and on other  
114.28 property not classified as class 1b agricultural homestead, or class 2a, ~~or class 2b(3)~~  
114.29 ~~agricultural~~ or 2b property, the aggregate tax and special assessments shown due on the  
114.30 property by the consolidated statement will be due on November 15.

114.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 32. Minnesota Statutes 2008, section 279.025, is amended to read:

**279.025 PAYMENT OF DELINQUENT PROPERTY TAXES, SPECIAL ASSESSMENTS.**

Payment of delinquent property tax and related interest and penalties and special assessments shall be paid with United States currency or by check ~~or~~, money order, or electronic means, including, but not limited to, automated clearing house transactions and federal wires drawn on a bank or other financial institution in the United States.

**EFFECTIVE DATE.** This section is effective for property taxes payable in 2011 and thereafter.

Sec. 33. Minnesota Statutes 2008, section 279.37, subdivision 1, is amended to read:

Subdivision 1. **Composition into one item.** Delinquent taxes upon any parcel of real estate may be composed into one item or amount by confession of judgment at any time prior to the forfeiture of the parcel of land to the state for taxes, for the aggregate amount of all the taxes, costs, penalties, and interest accrued against the parcel, as provided in this section. Taxes upon property which, for the previous year's assessment, was classified as mineral property, employment property, or commercial or industrial property are only eligible to be composed into any confession of judgment under this section as provided in subdivision 1a. Delinquent taxes for property that has been reclassified from 4bb to 4b under section 273.1319 may not be composed into a confession of judgment under this subdivision. Delinquent taxes on unimproved land are eligible to be composed into a confession of judgment only if the land is classified under section 273.13 as homestead, agricultural, ~~or timberland~~ rural vacant land, or managed forest land, in the previous year or is eligible for installment payment under subdivision 1a. The entire parcel is eligible for the ten-year installment plan as provided in subdivision 2 if 25 percent or more of the market value of the parcel is eligible for confession of judgment under this subdivision.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 34. Minnesota Statutes 2009 Supplement, section 475.755, is amended to read:

**475.755 EMERGENCY DEBT CERTIFICATES.**

(a) If at any time during a fiscal year the receipts of a local government are reasonably expected to be reduced below the amount provided in the local government's budget when the final property tax levy to be collected during the fiscal year was certified and the receipts are insufficient to meet the expenses incurred or to be incurred during the fiscal year, the governing body of the local government may authorize and sell certificates

of indebtedness to mature within two years or less from the end of the fiscal year in which the certificates are issued. The maximum principal amount of the certificates that it may issue in a fiscal year is limited to the expected reduction in receipts plus the cost of issuance. The certificates may be issued in the manner and on the terms the governing body determines by resolution.

(b) The governing body of the local government shall levy taxes for the payment of principal and interest on the certificates in accordance with section 475.61.

(c) The certificates are not to be included in the net debt of the issuing local government.

(d) To the extent that a local government issues certificates under this section to fund an unallotment or other reduction in its state aid, the local government ~~may~~ must not use ~~a~~ the special levy authority for the aid reduction reductions under section 275.70, subdivision 5, clause (22), or a similar or successor provision. ~~This provision does not affect the status of the, but must instead use the special levy authority for the repayment of indebtedness under section 275.70, subdivision 5, clause (2), in order to~~ levy under section 475.61 to pay fund repayment of the certificates ~~as~~ with a levy that is not subject to levy limits.

(e) For purposes of this section, the following terms have the meanings given:

(1) "Local government" means a statutory or home rule charter city, a town, or a county.

(2) "Receipts" includes the following amounts scheduled to be received by the local government for the fiscal year from:

(i) taxes;

(ii) aid payments previously certified by the state to be paid to the local government;

(iii) state reimbursement payments for property tax credits; and

(iv) any other source.

**EFFECTIVE DATE.** This section is effective retroactively for taxes payable in 2010 and thereafter.

Sec. 35. Minnesota Statutes 2009 Supplement, section 477A.013, subdivision 8, is amended to read:

Subd. 8. **City formula aid.** ~~(a) In calendar year 2009, the formula aid for a city is equal to the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase percentage multiplied by its unmet need.~~

~~(b) In calendar year 2010 and subsequent years,~~ The formula aid for a city is equal to the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase

percentage multiplied by the average of its unmet need for the most recently available two years.

No city may have a formula aid amount less than zero. The need increase percentage must be the same for all cities.

The applicable need increase percentage must be calculated by the Department of Revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03. ~~For aids payable in 2009 only, all data used in calculating aid to cities under sections 477A.011 to 477A.013 will be based on the data available for calculating aid to cities for aids payable in 2008. For aids payable in 2010 and thereafter,~~ Data used in calculating aids to cities under sections 477A.011 to 477A.013 shall be the most recently available data as of January 1 in the year in which the aid is calculated except ~~as provided in section 477A.011, subdivisions 3 and 35~~ that the data used to compute "net levy" in subdivision 9 is the data most recently available at the time of the aid computation.

**EFFECTIVE DATE.** This section is effective for aid payable in 2010 and thereafter.

Sec. 36. Minnesota Statutes 2008, section 477A.17, is amended to read:

**477A.17 LAKE VERMILION STATE PARK AND SOUDAN UNDERGROUND MINE STATE PARK; ANNUAL PAYMENTS.**

(a) Beginning in fiscal year ~~2010~~ 2012, in lieu of the payment amount provided under section 477A.12, subdivision 1, clause (1), the county shall receive an annual payment for land acquired for Lake Vermilion State Park, established in section 85.012, subdivision 38a, and land within the boundary of Soudan Underground Mine State Park, established in section 85.012, subdivision 53a, equal to 1.5 percent of the appraised value of the land.

(b) For the purposes of this section, the appraised value of the land acquired for Lake Vermilion State Park for the first five years after acquisition shall be the purchase price of the land, plus the value of any portion of the land that is acquired by donation. The appraised value must be redetermined by the county assessor every five years after the land is acquired.

(c) The annual payments under this section shall be distributed to the taxing jurisdictions containing the property as follows: one-third to the school districts; one-third to the town; and one-third to the county. The payment to school districts is not a county apportionment under section 127A.34 and is not subject to aid recapture. Each of those taxing jurisdictions may use the payments for their general purposes.

(d) Except as provided in this section, the payments shall be made as provided in sections 477A.11 to 477A.13.

Sec. 37. Laws 2001, First Special Session chapter 5, article 3, section 50, the effective date, as amended by Laws 2009, chapter 86, article 1, section 87, is amended to read:

**EFFECTIVE DATE.** Clause (22) of this section is effective for taxes levied in 2002, payable in 2003, ~~through taxes levied in 2011, payable in 2012~~ and thereafter. Clause (23) of this section is effective for taxes levied in 2001, payable in 2002, and thereafter.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 38. **FISCAL DISPARITIES STUDY.**

The commissioner of revenue must conduct a study of the metropolitan revenue distribution program contained in Minnesota Statutes, chapter 473F, commonly known as the fiscal disparities program. By February 1, 2012, the commissioner shall submit a report to the chairs and ranking minority members of the house of representatives and senate tax committees consisting of the findings of the study and identification of issues for policy makers to consider. The study must analyze:

(1) the extent to which the benefits of economic growth of the region are shared throughout the region, especially for growth that results from state or regional decisions;

(2) the program's impact on the variability of tax rates across jurisdictions of the region;

(3) the program's impact on the distribution of homestead property tax burdens across jurisdictions of the region; and

(4) the relationship between the impacts of the program and overburden on jurisdictions containing properties that provide regional benefits, specifically the costs those properties impose on their host jurisdictions in excess of their tax payments.

The report must include a description of other property tax, aid, and local development programs that interact with the fiscal disparities program.

**EFFECTIVE DATE.** This section is effective January 1, 2011.

Sec. 39. **FUND TRANSFER FROM FISCAL DISPARITIES LEVY.**

For taxes payable in 2011 only, the Metropolitan Council must certify to the Ramsey County auditor the amount of \$100,000, to be certified by the Ramsey County auditor to the administrative auditor as an addition to the Metropolitan Council's areawide levy under Minnesota Statutes, section 473F.08, subdivision 5. Upon receipt of the proceeds of this levy, the Metropolitan Council must transfer this money to the commissioner of revenue to be used to pay for the study required under section 38.

ARTICLE 5

PUBLIC FINANCE; LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 2008, section 103D.335, subdivision 17, is amended to read:

Subd. 17. **Borrowing funds.** The managers may borrow funds from an agency of the federal government, a state agency, a county where the watershed district is located in whole or in part, or a financial institution authorized under chapter 47 to do business in this state. A county board may lend the amount requested by a watershed district. A watershed district may not have more than a total of ~~\$600,000~~ \$2,000,000 in loans from counties and financial institutions under this subdivision outstanding at any time.

Sec. 2. Minnesota Statutes 2008, section 373.40, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of this section, the following terms have the meanings given.

(a) "Bonds" means an obligation as defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, buildings, or other improvements within the county for the purpose of a county courthouse, administrative building, health or social service facility, correctional facility, jail, law enforcement center, hospital, morgue, library, park, qualified indoor ice arena, roads and bridges, and the acquisition of development rights in the form of conservation easements under chapter 84C. An improvement must have an expected useful life of five years or more to qualify. "Capital improvement" does not include ~~light rail transit or any activity related to it or~~ a recreation or sports facility building (such as, but not limited to, a gymnasium, ice arena, racquet sports facility, swimming pool, exercise room or health spa), unless the building is part of an outdoor park facility and is incidental to the primary purpose of outdoor recreation.

(c) "Metropolitan county" means a county located in the seven-county metropolitan area as defined in section 473.121 or a county with a population of 90,000 or more.

(d) "Population" means the population established by the most recent of the following (determined as of the date the resolution authorizing the bonds was adopted):

(1) the federal decennial census,

(2) a special census conducted under contract by the United States Bureau of the Census, or

(3) a population estimate made either by the Metropolitan Council or by the state demographer under section 4A.02.

120.1 (e) "Qualified indoor ice arena" means a facility that meets the requirements of  
120.2 section 373.43.

120.3 (f) "Tax capacity" means total taxable market value, but does not include captured  
120.4 market value.

120.5 Sec. 3. Minnesota Statutes 2008, section 383B.79, subdivision 5, is amended to read:

120.6 Subd. 5. **Financing.** Hennepin County may appropriate funds for any of the  
120.7 activities described in subdivision 1, whether or not state funds are appropriated for the  
120.8 activity. Hennepin County may include any part of the costs of a project described in  
120.9 section 469.002, subdivision 12, in a capital improvement plan adopted under section  
120.10 373.40, and may issue bonds for such purposes pursuant to and subject to the procedures  
120.11 and limitations set forth in section 373.40, whether or not the capital improvement to be  
120.12 financed is to be owned by the county or any other governmental entity. Such purposes are  
120.13 in addition to the capital improvements described in section 373.40, but shall not include  
120.14 ~~light rail transit, commuter rail, or any activity related to either of those, or~~ a sports facility  
120.15 building designed or used primarily for professional sports. No funds appropriated under  
120.16 this subdivision may be used to pay operating expenses.

120.17 Sec. 4. Minnesota Statutes 2008, section 469.101, subdivision 1, is amended to read:

120.18 Subdivision 1. **Establishment.** An economic development authority may create and  
120.19 define the boundaries of economic development districts at any place or places within the  
120.20 city ~~if the district satisfies the requirements of section 469.174, subdivision 10,~~ except that  
120.21 the district boundaries must be contiguous, and may use the powers granted in sections  
120.22 469.090 to 469.108 to carry out its purposes. First the authority must hold a public hearing  
120.23 on the matter. At least ten days before the hearing, the authority shall publish notice of  
120.24 the hearing in a daily newspaper of general circulation in the city. Also, the authority  
120.25 shall find that an economic development district is proper and desirable to establish and  
120.26 develop within the city.

120.27 **EFFECTIVE DATE.** This section is effective for economic development districts  
120.28 created after the day following final enactment.

120.29 Sec. 5. Minnesota Statutes 2008, section 469.1763, subdivision 2, is amended to read:

120.30 Subd. 2. **Expenditures outside district.** (a) For each tax increment financing  
120.31 district, an amount equal to at least 75 percent of the total revenue derived from tax  
120.32 increments paid by properties in the district must be expended on activities in the district  
120.33 or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities



121.1 in the district or to pay, or secure payment of, debt service on credit enhanced bonds.  
121.2 For districts, other than redevelopment districts for which the request for certification  
121.3 was made after June 30, 1995, the in-district percentage for purposes of the preceding  
121.4 sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax  
121.5 increments paid by properties in the district may be expended, through a development fund  
121.6 or otherwise, on activities outside of the district but within the defined geographic area of  
121.7 the project except to pay, or secure payment of, debt service on credit enhanced bonds.  
121.8 For districts, other than redevelopment districts for which the request for certification was  
121.9 made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is  
121.10 20 percent. The revenue derived from tax increments for the district that are expended on  
121.11 costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before  
121.12 calculating the percentages that must be expended within and without the district.

121.13 (b) In the case of a housing district, a housing project, as defined in section 469.174,  
121.14 subdivision 11, is an activity in the district.

121.15 (c) All administrative expenses are for activities outside of the district, except that  
121.16 if the only expenses for activities outside of the district under this subdivision are for  
121.17 the purposes described in paragraph (d), administrative expenses will be considered as  
121.18 expenditures for activities in the district.

121.19 (d) The authority may elect, in the tax increment financing plan for the district,  
121.20 to increase by up to ten percentage points the permitted amount of expenditures for  
121.21 activities located outside the geographic area of the district under paragraph (a). As  
121.22 permitted by section 469.176, subdivision 4k, the expenditures, including the permitted  
121.23 expenditures under paragraph (a), need not be made within the geographic area of the  
121.24 project. Expenditures that meet the requirements of this paragraph are legally permitted  
121.25 expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j.  
121.26 To qualify for the increase under this paragraph, the expenditures must:

121.27 (1) be used exclusively to assist housing that meets the requirement for a qualified  
121.28 low-income building, as that term is used in section 42 of the Internal Revenue Code; and

121.29 (2) not exceed the qualified basis of the housing, as defined under section 42(c) of  
121.30 the Internal Revenue Code, less the amount of any credit allowed under section 42 of  
121.31 the Internal Revenue Code; and

121.32 (3) be used to:

121.33 (i) acquire and prepare the site of the housing;

121.34 (ii) acquire, construct, or rehabilitate the housing; or

121.35 (iii) make public improvements directly related to the housing; or

122.1           (4) be used to develop housing that does not exceed 150 percent of the average  
122.2 market value of single-family homes in that municipality and to pay the cost of site  
122.3 acquisition, relocation, demolition of existing structures, site preparation, and pollution  
122.4 abatement on one or more parcels, if the parcel:

122.5           (i) contains a residence containing one to four family dwelling units that has been  
122.6 vacant for six or more months;

122.7           (ii) contains a residence containing one to four family dwelling units that is  
122.8 structurally substandard, as defined in section 469.174, subdivision 10;

122.9           (iii) is in foreclosure as defined in section 325N.10, subdivision 7, but without regard  
122.10 to whether the residence is the owner's principal residence; or

122.11           (iv) is a vacant site, if the authority uses the parcel in connection with the  
122.12 development or redevelopment of a parcel qualifying under items (i) to (iii).

122.13           (e) For a district created within a biotechnology and health sciences industry zone  
122.14 as defined in section 469.330, subdivision 6, or for an existing district located within  
122.15 such a zone, tax increment derived from such a district may be expended outside of the  
122.16 district but within the zone only for expenditures required for the construction of public  
122.17 infrastructure necessary to support the activities of the zone, land acquisition, and other  
122.18 redevelopment costs as defined in section 469.176, subdivision 4j. These expenditures are  
122.19 considered as expenditures for activities within the district.

122.20           (f) The authority under paragraph (d), clause (4), expires on December 31, 2015.  
122.21 Increments may continue to be expended under this authority after that date, if they are  
122.22 used to pay bonds or binding contracts that would qualify under subdivision 3, paragraph  
122.23 (a), if December 31, 2015, is considered to be the last date of the five-year period after  
122.24 certification under that provision.

122.25           **EFFECTIVE DATE.** This section is effective for any district that is subject to the  
122.26 provisions of section 469.1763, regardless of when the request for certification of the  
122.27 district was made.

122.28           Sec. 6. Minnesota Statutes 2008, section 469.319, subdivision 5, is amended to read:

122.29           Subd. 5. **Waiver authority.** (a) The commissioner may waive all or part of a  
122.30 repayment required under subdivision 1, if the commissioner, in consultation with  
122.31 the commissioner of employment and economic development and appropriate officials  
122.32 from the local government units in which the qualified business is located, determines  
122.33 that requiring repayment of the tax is not in the best interest of the state or the local  
122.34 government units and the business ceased operating as a result of circumstances beyond  
122.35 its control including, but not limited to:

- 123.1 (1) a natural disaster;  
123.2 (2) unforeseen industry trends; or  
123.3 (3) loss of a major supplier or customer.

123.4 (b)(1) The commissioner shall waive repayment required under subdivision 1a if  
123.5 the commissioner has waived repayment by the operating business under subdivision 1,  
123.6 unless the person that received benefits without having to operate a business in the zone  
123.7 was a contributing factor in the qualified business becoming subject to repayment under  
123.8 subdivision 1;

123.9 (2) the commissioner shall waive the repayment required under subdivision 1a, even  
123.10 if the repayment has not been waived for the operating business if:

123.11 (i) the person that received benefits without having to operate a business in the zone  
123.12 and the business that operated in the zone are not related parties as defined in section  
123.13 267(b) of the Internal Revenue Code of 1986, as amended through December 31, 2007; and

123.14 (ii) actions of the person were not a contributing factor in the qualified business  
123.15 becoming subject to repayment under subdivision 1.

123.16 (c) Requests for waiver must be made no later than 60 days after the notice date of  
123.17 an order issued under subdivision 4, paragraph (d), or, in the case of property taxes, within  
123.18 60 days of the date of a tax statement issued under subdivision 4, paragraph (c).

123.19 **EFFECTIVE DATE.** This section is effective for waivers requested in response  
123.20 to notices issued after the day following final enactment.

123.21 Sec. 7. Minnesota Statutes 2008, section 469.3192, is amended to read:

123.22 **469.3192 PROHIBITION AGAINST AMENDMENTS TO BUSINESS**  
123.23 **SUBSIDY AGREEMENT.**

123.24 (a) Except as authorized under paragraph (b) or section 469.3191, under no  
123.25 circumstance shall terms of any agreement required as a condition for eligibility for  
123.26 benefits listed under section 469.315 be amended to change job creation, job retention,  
123.27 or wage goals included in the agreement.

123.28 (b) The commissioner may authorize the local unit of government and qualified  
123.29 business that are parties to a business subsidy agreement to amend the agreement  
123.30 extending the period by one year for the business to meet business subsidy goals if the  
123.31 business met the goals in 2008 but failed to meet the goals in 2009 due to economic or  
123.32 business conditions.

123.33 **EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2008, section 469.3193, is amended to read:

**469.3193 CERTIFICATION OF CONTINUING ELIGIBILITY FOR JOBS BENEFITS.**

(a) By ~~December 1~~ October 15 of each year, every qualified business must certify to the commissioner of revenue, on a form prescribed by the commissioner of revenue, whether it is in compliance with any agreement required as a condition for eligibility for benefits listed under section 469.315. A business that fails to submit the certification, or any business, including those still operating in the zone, that submits a certification that the commissioner of revenue later determines materially misrepresents the business's compliance with the agreement, is subject to the repayment provisions under section 469.319 from January 1 of the year in which the report is due or the date that the business became subject to section 469.319, whichever is earlier. Any such business is permanently barred from obtaining benefits under section 469.315. For purposes of this section, the bar applies to an entity and also applies to any individuals or entities that have an ownership interest of at least 20 percent of the entity.

(b) Before the sanctions under paragraph (a) apply to a business that fails to submit the certification, the commissioner of revenue shall send notice to the business, demanding that the certification be submitted within 30 days and advising the business of the consequences for failing to do so. The commissioner of revenue shall notify the commissioner of employment and economic development and the appropriate job opportunity subzone administrator whenever notice is sent to a business under this paragraph.

(c) The certification required under this section is public.

(d) The commissioner of revenue shall promptly notify the commissioner of employment and economic development of all businesses that certify that they are not in compliance with the terms of their business subsidy agreement and all businesses that fail to file the certification.

**EFFECTIVE DATE.** This section is effective for certifications required to be made in 2010 and thereafter.

Sec. 9. Minnesota Statutes 2008, section 473.39, is amended by adding a subdivision to read:

Subd. 1p. **Obligations.** After July 1, 2010, in addition to other authority in this section, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$34,600,000 for capital expenditures as

125.1 prescribed in the council's transit capital improvement program and for related costs,  
125.2 including the costs of issuance and sale of the obligations.

125.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

125.4 Sec. 10. Minnesota Statutes 2008, section 474A.04, subdivision 6, is amended to read:

125.5 Subd. 6. **Entitlement transfers.** An entitlement issuer may enter into an agreement  
125.6 with another entitlement issuer whereby the recipient entitlement issuer issues obligations  
125.7 pursuant to bonding authority allocated to the original entitlement issuer under this  
125.8 section. An entitlement issuer may enter into an agreement with an issuer which is not  
125.9 an entitlement issuer whereby the recipient issuer issues qualified mortgage bonds, up to  
125.10 \$100,000 of which are issued pursuant to bonding authority allocated to the original  
125.11 entitlement issuer under this section. The agreement may be approved and executed by the  
125.12 mayor of the entitlement issuer with or without approval or review by the city council.  
125.13 Notwithstanding section 474A.091, subdivision 4, prior to December 1, the Minnesota  
125.14 Housing Finance Agency, Minnesota Office of Higher Education, and Minnesota Rural  
125.15 Finance Authority may transfer allocated bonding authority made available under this  
125.16 chapter to one another under an agreement by each agency and the commissioner.

125.17 Sec. 11. Minnesota Statutes 2008, section 474A.091, subdivision 3, is amended to read:

125.18 Subd. 3. **Allocation procedure.** (a) The commissioner shall allocate available  
125.19 bonding authority under this section on the Monday of every other week beginning with  
125.20 the first Monday in August through and on the last Monday in November. Applications  
125.21 for allocations must be received by the department by 4:30 p.m. on the Monday preceding  
125.22 the Monday on which allocations are to be made. If a Monday falls on a holiday, the  
125.23 allocation will be made or the applications must be received by the next business day  
125.24 after the holiday.

125.25 (b) Prior to October 1, only the following applications shall be awarded allocations  
125.26 from the unified pool. Allocations shall be awarded in the following order of priority:

- 125.27 (1) applications for residential rental project bonds;  
125.28 (2) applications for small issue bonds for manufacturing projects; and  
125.29 (3) applications for small issue bonds for agricultural development bond loan  
125.30 projects.

125.31 (c) On the first Monday in October through the last Monday in November,  
125.32 allocations shall be awarded from the unified pool in the following order of priority:

- 125.33 (1) applications for student loan bonds issued by or on behalf of the Minnesota  
125.34 Office of Higher Education;

- 126.1 (2) applications for mortgage bonds;
- 126.2 (3) applications for public facility projects funded by public facility bonds;
- 126.3 (4) applications for small issue bonds for manufacturing projects;
- 126.4 (5) applications for small issue bonds for agricultural development bond loan
- 126.5 projects;
- 126.6 (6) applications for residential rental project bonds;
- 126.7 (7) applications for enterprise zone facility bonds;
- 126.8 (8) applications for governmental bonds; and
- 126.9 (9) applications for redevelopment bonds.
- 126.10 (d) If there are two or more applications for manufacturing projects from the
- 126.11 unified pool and there is insufficient bonding authority to provide allocations for all
- 126.12 manufacturing projects in any one allocation period, the available bonding authority shall
- 126.13 be awarded based on the number of points awarded a project under section 474A.045
- 126.14 with those projects receiving the greatest number of points receiving allocation first. If
- 126.15 two or more applications for manufacturing projects receive an equal amount of points,
- 126.16 available bonding authority shall be awarded by lot unless otherwise agreed to by the
- 126.17 respective issuers.
- 126.18 (e) If there are two or more applications for enterprise zone facility projects from
- 126.19 the unified pool and there is insufficient bonding authority to provide allocations for
- 126.20 all enterprise zone facility projects in any one allocation period, the available bonding
- 126.21 authority shall be awarded based on the number of points awarded a project under section
- 126.22 474A.045 with those projects receiving the greatest number of points receiving allocation
- 126.23 first. If two or more applications for enterprise zone facility projects receive an equal
- 126.24 amount of points, available bonding authority shall be awarded by lot unless otherwise
- 126.25 agreed to by the respective issuers.
- 126.26 (f) If there are two or more applications for residential rental projects from the
- 126.27 unified pool and there is insufficient bonding authority to provide allocations for all
- 126.28 residential rental projects in any one allocation period, the available bonding authority
- 126.29 shall be awarded in the following order of priority: (1) projects that preserve existing
- 126.30 federally subsidized housing; (2) projects that are not restricted to persons who are 55
- 126.31 years of age or older; and (3) other residential rental projects.
- 126.32 (g) From the first Monday in August through the last Monday in November,
- 126.33 \$20,000,000 of bonding authority or an amount equal to the total annual amount of
- 126.34 bonding authority allocated to the small issue pool under section 474A.03, subdivision 1,
- 126.35 less the amount allocated to issuers from the small issue pool for that year, whichever is

127.1 less, is reserved within the unified pool for small issue bonds to the extent such amounts  
127.2 are available within the unified pool.

127.3 (h) The total amount of allocations for mortgage bonds from the housing pool and  
127.4 the unified pool may not exceed:

127.5 (1) \$10,000,000 for any one city; or

127.6 (2) \$20,000,000 for any number of cities in any one county.

127.7 (i) The total amount of allocations for student loan bonds from the unified pool may  
127.8 not exceed ~~\$10,000,000~~ \$25,000,000 per year.

127.9 (j) If there is insufficient bonding authority to fund all projects within any qualified  
127.10 bond category other than enterprise zone facility projects, manufacturing projects, and  
127.11 residential rental projects, allocations shall be awarded by lot unless otherwise agreed to  
127.12 by the respective issuers.

127.13 (k) If an application is rejected, the commissioner must notify the applicant and  
127.14 return the application deposit to the applicant within 30 days unless the applicant requests  
127.15 in writing that the application be resubmitted.

127.16 (l) The granting of an allocation of bonding authority under this section must be  
127.17 evidenced by issuance of a certificate of allocation.

127.18 Sec. 12. Laws 2010, chapter 216, section 3, is amended by adding a subdivision to read:

127.19 Subd. 3a. **Authority.** "Authority" means a housing and redevelopment authority  
127.20 or economic development authority created pursuant to section 469.003, 469.004, or  
127.21 469.091, or another entity authorized by law to exercise the powers of an authority created  
127.22 pursuant to one of those sections.

127.23 **EFFECTIVE DATE.** This section is effective the day following final enactment.

127.24 Sec. 13. Laws 2010, chapter 216, section 3, is amended by adding a subdivision to read:

127.25 Subd. 3b. **Implementing entity.** "Implementing entity" means the local government  
127.26 or an authority designated by the local government by resolution to implement and  
127.27 administer programs described in section 216C.436.

127.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

127.29 Sec. 14. Laws 2010, chapter 216, section 3, subdivision 6, is amended to read:

127.30 Subd. 6. **Qualifying real property.** "Qualifying real property" means a  
127.31 single-family or multifamily residential dwelling, or a commercial or industrial building,  
127.32 that the ~~city~~ implementing entity has determined, after review of an energy audit or

128.1 renewable energy system feasibility study, can be benefited by installation of energy  
128.2 improvements.

128.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

128.4 Sec. 15. Laws 2010, chapter 216, section 4, subdivision 1, is amended to read:

128.5 Subdivision 1. **Program authority.** ~~A local government~~ An implementing entity  
128.6 may establish a program to finance energy improvements to enable owners of qualifying  
128.7 real property to pay for cost-effective energy improvements to the qualifying real property  
128.8 with the net proceeds and interest earnings of revenue bonds authorized in this section.  
128.9 ~~A local government~~ An implementing entity may limit the number of qualifying real  
128.10 properties for which a property owner may receive program financing.

128.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

128.12 Sec. 16. Laws 2010, chapter 216, section 4, subdivision 2, is amended to read:

128.13 Subd. 2. **Program requirements.** A financing program must:

128.14 (1) impose requirements and conditions on financing arrangements to ensure timely  
128.15 repayment;

128.16 (2) require an energy audit or renewable energy system feasibility study to be  
128.17 conducted on the qualifying real property and reviewed by the ~~local government~~  
128.18 implementing entity prior to approval of the financing;

128.19 (3) require the inspection of all installations and a performance verification of at  
128.20 least ten percent of the energy improvements financed by the program;

128.21 (4) require that all cost-effective energy improvements be made to a qualifying  
128.22 real property prior to, or in conjunction with, an applicant's repayment of financing for  
128.23 energy improvements for that property;

128.24 (5) have energy improvements financed by the program performed by licensed  
128.25 contractors as required by chapter 326B or other law or ordinance;

128.26 (6) require disclosures to borrowers by the ~~local government~~ implementing entity  
128.27 of the risks involved in borrowing, including the risk of foreclosure if a tax delinquency  
128.28 results from a default;

128.29 (7) provide financing only to those who demonstrate an ability to repay;

128.30 (8) not provide financing for a qualifying real property in which the owner is not  
128.31 current on mortgage or real property tax payments;



129.1 (9) require a petition to the implementing entity by all owners of the qualifying  
129.2 real property requesting collections of repayments as a special assessment under section  
129.3 429.101;

129.4 (10) provide that payments and assessments are not accelerated due to a default and  
129.5 that a tax delinquency exists only for assessments not paid when due; and

129.6 (11) require that liability for special assessments related to the financing runs with  
129.7 the qualifying real property.

129.8 **EFFECTIVE DATE.** This section is effective the day following final enactment.

129.9 Sec. 17. Laws 2010, chapter 216, section 4, subdivision 4, is amended to read:

129.10 Subd. 4. **Financing terms.** Financing provided under this section must have:

129.11 (1) a term not to exceed the weighted average of the useful life of the energy  
129.12 improvements installed, as determined by the ~~local government~~ implementing entity, but  
129.13 in no event may a term exceed 20 years;

129.14 (2) a principal amount not to exceed the lesser of ten percent of the assessed value  
129.15 of the real property on which the improvements are to be installed or the actual cost of  
129.16 installing the energy improvements, including the costs of necessary equipment, materials,  
129.17 and labor, the costs of each related energy audit or renewable energy system feasibility  
129.18 study, and the cost of verification of installation; and

129.19 (3) an interest rate sufficient to pay the financing costs of the program, including the  
129.20 issuance of bonds and any financing delinquencies.

129.21 **EFFECTIVE DATE.** This section is effective the day following final enactment.

129.22 Sec. 18. Laws 2010, chapter 216, section 4, subdivision 6, is amended to read:

129.23 Subd. 6. **Certificate of participation.** Upon completion of a project, ~~a local~~  
129.24 ~~government~~ an implementing entity shall provide a borrower with a certificate stating  
129.25 participation in the program and what energy improvements have been made with  
129.26 financing program proceeds.

129.27 **EFFECTIVE DATE.** This section is effective the day following final enactment.

129.28 Sec. 19. Laws 2010, chapter 216, section 4, subdivision 7, is amended to read:

129.29 Subd. 7. **Repayment.** ~~A local government financing~~ An implementing entity that  
129.30 finances an energy improvement under this section must:

129.31 (1) secure payment with a lien against the benefited qualifying real property; and

130.1 (2) collect repayments as a special assessment as provided for in section 429.101  
130.2 or by charter.

130.3 If the implementing entity is an authority, the local government that authorized  
130.4 the authority to act as implementing entity shall impose and collect special assessments  
130.5 necessary to pay debt service on bonds issued by the implementing entity under  
130.6 subdivision 8, and shall transfer all collections of the assessments upon receipt to the  
130.7 authority.

130.8 **EFFECTIVE DATE.** This section is effective the day following final enactment.

130.9 Sec. 20. Laws 2010, chapter 216, section 4, subdivision 8, is amended to read:

130.10 Subd. 8. **Bond issuance; repayment.** (a) ~~A local government~~ An implementing  
130.11 entity may issue revenue bonds as provided in chapter 475 for the purposes of this section.

130.12 (b) The bonds must be payable as to both principal and interest solely from the  
130.13 revenues from the assessments established in subdivision 7.

130.14 (c) No holder of bonds issued under this subdivision may compel any exercise of the  
130.15 taxing power of the implementing entity that issued the bonds to pay principal or interest  
130.16 on the bonds, and if the implementing entity is an authority, no holder of the bonds may  
130.17 compel any exercise of the taxing power of the local government that issued the bonds  
130.18 to pay principal or interest on the bonds. Bonds issued under this subdivision are not  
130.19 a debt or obligation of the issuer or any local government that issued them, nor is the  
130.20 payment of the bonds enforceable out of any money other than the revenue pledged to  
130.21 the payment of the bonds.

130.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

130.23 Sec. 21. Laws 2010, chapter 216, section 58, is amended to read:

130.24 Sec. 58. **2010 DISTRIBUTIONS ONLY.**

130.25 For distributions in 2010 only, a special fund is established to receive 28.757 cents  
130.26 per ton that otherwise would be allocated under Minnesota Statutes, section 298.28,  
130.27 subdivision 6. The following amounts are allocated to St. Louis County acting as the fiscal  
130.28 agent for the recipients for the specific purposes:

130.29 (1) 0.764 cent per ton must be paid to Northern Minnesota Dental to provide  
130.30 incentives for at least two dentists to establish dental practices in high-need areas of the  
130.31 taconite tax relief area;

130.32 (2) 0.955 cent per ton must be paid to the city of Virginia for repairs and geothermal  
130.33 heat at the Olcott Park Greenhouse/Virginia Commons project;

131.1 (3) 0.796 cent per ton must be paid to the city of Virginia for health and safety  
131.2 repairs at the Miners Memorial;

131.3 (4) 1.114 cents per ton must be paid to the city of Eveleth for the reconstruction  
131.4 of Highway 142/Grant and Park Avenues;

131.5 (5) 0.478 cent per ton must be paid to the Greenway Joint Recreation Board for  
131.6 upgrades and capital improvements to the public arena in Coleraine;

131.7 (6) 0.796 cent per ton must be paid to the city of Calumet for water treatment and  
131.8 pumphouse modifications;

131.9 (7) 0.159 cent per ton must be paid to the city of Bovey for residential and  
131.10 commercial claims for water damage due to water and flood-related damage caused by  
131.11 the Canisteo Pit;

131.12 (8) 0.637 cent per ton must be paid to the city of Nashwauk for a community and  
131.13 child care center;

131.14 (9) 0.637 cent per ton must be paid to the city of Keewatin for water and sewer  
131.15 upgrades;

131.16 (10) 0.637 cent per ton must be paid to the city of Marble for the city hall and  
131.17 library project;

131.18 (11) 0.955 cent per ton must be paid to the city of Grand Rapids for extension of  
131.19 water and sewer services for Lakewood Housing;

131.20 (12) 0.159 cent per ton must be paid to the city of Grand Rapids for exhibits at  
131.21 the Children's Museum;

131.22 (13) 0.637 cent per ton must be paid to the city of Grand Rapids for Block 20/21 soil  
131.23 corrections. This amount must be matched by local sources;

131.24 (14) 0.605 cent per ton must be paid to the city of Aitkin for three water loops;

131.25 (15) 0.048 cent per ton must be paid to the city of Aitkin for signage;

131.26 (16) 0.159 cent per ton must be paid to Aitkin County for a trail;

131.27 (17) 0.637 cent per ton must be paid to the city of Cohasset for the Beiers Road  
131.28 railroad crossing;

131.29 (18) 0.088 cent per ton must be paid to the town of Clinton for expansion and  
131.30 striping of the community center parking lot;

131.31 (19) 0.398 cent per ton must be paid to the city of Kinney for water line replacement;

131.32 (20) 0.796 cent per ton must be paid to the city of Gilbert for infrastructure  
131.33 improvements, milling, and overlay for Summit Street between Alaska Avenue and  
131.34 Highway 135;

131.35 (21) 0.318 cent per ton must be paid to the city of Gilbert for sanitary sewer main  
131.36 replacements and improvements in the Northeast Lower Alley area;

- 132.1 (22) 0.637 cent per ton must be paid to the town of White for replacement of the  
132.2 Stepetz Road culvert;
- 132.3 (23) 0.796 cent per ton must be paid to the city of Buhl for reconstruction of Sharon  
132.4 Street and associated infrastructure;
- 132.5 (24) 0.796 cent per ton must be paid to the city of Mountain Iron for site  
132.6 improvements at the Park Ridge development;
- 132.7 (25) 0.796 cent per ton must be paid to the city of Mountain Iron for infrastructure  
132.8 and site preparation for its renewable and sustainable energy park;
- 132.9 (26) 0.637 cent per ton must be paid to the city of Biwabik for sanitary sewer  
132.10 improvements;
- 132.11 (27) 0.796 cent per ton must be paid to the city of Aurora for alley and road  
132.12 rebuilding for the Summit Addition;
- 132.13 (28) 0.955 cent per ton must be paid to the city of Silver Bay for bioenergy facility  
132.14 improvements;
- 132.15 (29) 0.318 cent per ton must be paid to the city of Grand Marais for water and  
132.16 sewer infrastructure improvements;
- 132.17 (30) 0.318 cent per ton must be paid to the city of Orr for airport, water, and sewer  
132.18 improvements;
- 132.19 (31) 0.716 cent per ton must be paid to the city of Cook for street and bridge  
132.20 improvements and land purchase, provided that if the city sells or otherwise disposes of  
132.21 any of the land purchased with the money provided under this clause within a period of  
132.22 ten years after it was purchased, the city must transfer a portion of the proceeds of the  
132.23 sale equal to the amount of the purchase price paid from the money provided under this  
132.24 clause to the commissioner of Iron Range Resources and Rehabilitation for deposit in the  
132.25 taconite environmental protection fund to be used for the purposes of the fund under  
132.26 Minnesota Statutes, section 298.223;
- 132.27 (32) 0.955 cent per ton must be paid to the city of Ely for street, water, and sewer  
132.28 improvements;
- 132.29 (33) 0.318 cent per ton must be paid to the city of Tower for water and sewer  
132.30 improvements;
- 132.31 (34) 0.955 cent per ton must be paid to the city of Two Harbors for water and sewer  
132.32 improvements;
- 132.33 (35) 0.637 cent per ton must be paid to the city of Babbitt for water and sewer  
132.34 improvements;
- 132.35 (36) 0.096 cent per ton must be paid to the township of Duluth for infrastructure  
132.36 improvements;

133.1 (37) 0.096 cent per ton must be paid to the township of Tofte for infrastructure  
133.2 improvements;

133.3 (38) 3.184 cents per ton must be paid to the city of Hibbing for sewer improvements;

133.4 (39) 1.273 cents per ton must be paid to the city of Chisholm for NW Area Project  
133.5 infrastructure improvements;

133.6 (40) 0.318 cent per ton must be paid to the city of Chisholm for health and safety  
133.7 improvements at the athletic facility;

133.8 (41) 0.796 cent per ton must be paid to the city of Hoyt Lakes for residential street  
133.9 improvements;

133.10 (42) 0.796 cent per ton must be paid to the Bois Forte Indian Reservation for  
133.11 infrastructure related to a housing development;

133.12 (43) 0.159 cent per ton must be paid to Balkan Township for building improvements;

133.13 (44) 0.159 cent per ton must be paid to the city of Grand Rapids for a grant to  
133.14 a nonprofit for a signage kiosk;

133.15 (45) 0.318 cent per ton must be paid to the city of Crane Lake for sanitary sewer  
133.16 lines and adjacent development near County State-Aid Highway 24; and

133.17 (46) 0.159 cent per ton must be paid to the city of Chisholm to rehabilitate historic  
133.18 wall infrastructure around the athletic complex.

133.19 **EFFECTIVE DATE.** This section is effective ~~for the 2010 distribution, all of~~  
133.20 ~~which must be made in the August 2010 payment~~ retroactively from the day following  
133.21 final enactment.

133.22 **EFFECTIVE DATE.** This section is effective retroactively from April 2, 2010.

133.23 Sec. 22. **CITY OF LANDFALL VILLAGE; TAX INCREMENT FINANCING**  
133.24 **DISTRICT; SPECIAL RULES.**

133.25 The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that  
133.26 activities must be undertaken within a five-year period from the date of certification of  
133.27 a tax increment financing district, is considered to be met for Tax Increment Financing  
133.28 District No. 1-1 in the city of Landfall Village if the activities were undertaken within  
133.29 eight years from the date of certification of the district.

133.30 **EFFECTIVE DATE.** This section is effective upon compliance by the governing  
133.31 body of the city of Landfall Village with the requirements of Minnesota Statutes, section  
133.32 645.021, subdivision 3.

Sec. 23. **CITY OF RAMSEY; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

(a) If the city of Ramsey or an authority of the city elects upon the adoption of a tax increment financing plan for a district, the rules under this section apply to a redevelopment tax increment financing district established by the city or an authority of the city. The redevelopment tax increment district includes parcels within the area bounded on the North by Bunker Lake Boulevard as extended West to Llama Street, on the West by Llama Street, and on the south by a line running parallel to and 600 feet south of the southerly right-of-way for U.S. Highway 10, but including Parcels 28-32-25-43-0007 and 28-32-25-34-0002 in their entirety, and excluding the Anoka County Regional Park property in its entirety. A parcel within this area that is included in a tax increment financing district that was certified before the date of enactment of this act may be included in the district created under this act if the initial district is decertified.

(b) The requirements for qualifying a redevelopment tax increment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels located within the district.

(c) In addition to the costs permitted by Minnesota Statutes, section 469.176, subdivision 4j, eligible expenditures within the district include the city's share of the costs necessary to provide for the construction of the Northstar Transit Station and related infrastructure, including structured parking, a pedestrian overpass, and roadway improvements.

(d) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, does not apply to a district established under this section.

**EFFECTIVE DATE.** This section is effective upon approval by the governing body of the city of Ramsey, and upon compliance by the city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 24. **CITY OF WAYZATA; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

Subdivision 1. **First receipt extended.** Notwithstanding Minnesota Statutes, section 469.175, subdivision 1, paragraph (b), the city of Wayzata may modify the tax increment financing plan for Redevelopment Tax Increment Financing District No. 5 to change the first year in which it elects to receive increment, up to nine years following the year of approval of the district. Minnesota Statutes, section 469.175, subdivision 4, paragraph (b), does not apply to such modification of the tax increment financing plan.

Subd. 2. **Five-year rule.** The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for Redevelopment Tax Increment Financing District No. 5 in the city of Wayzata if the activities were undertaken within ten years from the date of certification of the district.

Subd. 3. **Parcels deemed occupied.** Any parcel in Redevelopment Tax Increment Financing District No. 5 in the city of Wayzata is deemed to meet the requirements of Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (1), if the following conditions are met:

(1) a building on the parcel was demolished by a developer or the city after the city council found the building to be structurally substandard upon approval of original tax increment financing plan for the district; and

(2) the city decertifies Redevelopment Tax Increment Financing District No. 5, but files a request with the county auditor for certification of the parcel as part of a subsequent redevelopment or renewal and renovation district within ten years after the date of demolition.

**EFFECTIVE DATE.** This section is effective upon compliance by the governing body of the city of Wayzata with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

Sec. 25. **APPLICATION.**

Section 9 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 26. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall code section 21 as Minnesota Statutes, section 298.2961, subdivision 7.

Sec. 27. **REPEALER.**

Laws 2010, chapter 215, article 9, section 3, is repealed.

**ARTICLE 6**

**CONDITIONAL USE DEEDS**

Section 1. Minnesota Statutes 2008, section 282.01, subdivision 1, is amended to read:

Subdivision 1. **Classification as conservation or nonconservation.** ~~It is the~~  
~~general policy of this state to encourage the best use of tax-forfeited lands, recognizing~~  
(a) When acting on behalf of the state under laws allowing the county board to classify  
and manage tax-forfeited lands held by the state in trust for the local units as provided in  
section 281.25, the county board has the discretion to decide that some lands in public  
ownership should be retained and managed for public benefits while other lands should be  
returned to private ownership. Parcels of land becoming the property of the state in trust  
under law declaring the forfeiture of lands to the state for taxes must be classified by the  
county board of the county in which the parcels lie as conservation or nonconservation. In  
making the classification the board shall consider the present use of adjacent lands, the  
productivity of the soil, the character of forest or other growth, accessibility of lands  
to established roads, schools, and other public services, their peculiar suitability or  
desirability for particular uses, and the suitability of the forest resources on the land for  
multiple use, and sustained yield management. The classification, furthermore, must: (1)  
encourage and foster a mode of land utilization that will facilitate the economical and  
adequate provision of transportation, roads, water supply, drainage, sanitation, education,  
and recreation; (2) facilitate reduction of governmental expenditures; (3) conserve and  
develop the natural resources; and (4) foster and develop agriculture and other industries  
in the districts and places best suited to them.

~~In making the classification the county board may use information made available~~  
~~by any office or department of the federal, state, or local governments, or by any other~~  
~~person or agency possessing pertinent information at the time the classification is made.~~  
~~The lands may be reclassified from time to time as the county board considers necessary~~  
~~or desirable, except for conservation lands held by the state free from any trust in favor of~~  
~~any taxing district.~~

~~If the lands are located within the boundaries of an organized town, with taxable~~  
~~valuation in excess of \$20,000, or incorporated municipality, the classification or~~  
~~reclassification and sale must first be approved by the town board of the town or the~~  
~~governing body of the municipality in which the lands are located. The town board of~~  
~~the town or the governing body of the municipality is considered to have approved~~  
~~the classification or reclassification and sale if the county board is not notified of the~~  
~~disapproval of the classification or reclassification and sale within 60 days of the date the~~  
~~request for approval was transmitted to the town board of the town or governing body~~  
~~of the municipality. If the town board or governing body desires to acquire any parcel~~  
~~lying in the town or municipality by procedures authorized in this section, it must file a~~  
~~written application with the county board to withhold the parcel from public sale. The~~



137.1 ~~application must be filed within 60 days of the request for classification or reclassification~~  
137.2 ~~and sale. The county board shall then withhold the parcel from public sale for six months.~~  
137.3 ~~A municipality or governmental subdivision shall pay maintenance costs incurred by~~  
137.4 ~~the county during the six-month period while the property is withheld from public sale,~~  
137.5 ~~provided the property is not offered for public sale after the six-month period. A clerical~~  
137.6 ~~error made by county officials does not serve to eliminate the request of the town board~~  
137.7 ~~or governing body if the board or governing body has forwarded the application to the~~  
137.8 ~~county auditor. If the town board or governing body of the municipality fails to submit an~~  
137.9 ~~application and a resolution of the board or governing body to acquire the property within~~  
137.10 ~~the withholding period, the county may offer the property for sale upon the expiration of~~  
137.11 ~~the withholding period.~~

137.12 (b) Whenever the county board deems it appropriate, the board may hold a meeting  
137.13 for the purpose of reclassifying tax-forfeited land that has not been sold or released from  
137.14 the trust. The criteria and procedures for reclassification are the same as those required for  
137.15 an initial classification.

137.16 (c) Prior to meeting for the purpose of classifying or reclassifying tax-forfeited lands,  
137.17 the county board must give notice of its intent to meet for that purpose as provided in this  
137.18 paragraph. The notice must be given no more than 90 days and no less than 60 days before  
137.19 the date of the meeting; provided that if the meeting is rescheduled, notice of the new  
137.20 date, time, and location must be given at least 14 days before the date of the rescheduled  
137.21 meeting. The notice must be posted on a Web site. The notice must also be mailed or  
137.22 otherwise delivered to each person who has filed a request for notice of special meetings  
137.23 with the public body, regardless of whether the matter is considered at a regular or special  
137.24 meeting. The notice must be mailed or delivered at least 60 days before the date of the  
137.25 meeting. If the meeting is rescheduled, notice of the new date, time, and location must be  
137.26 mailed or delivered at least 14 days before the date of the rescheduled meeting. The public  
137.27 body shall publish the notice once, at least 30 days before the meeting, in a newspaper of  
137.28 general circulation within the area of the public body's authority. The board must also mail  
137.29 a notice by electronic means to each person who requests notice of meetings dealing with  
137.30 this subject and who agrees as provided in chapter 325L to accept notice that is mailed  
137.31 by electronic means. Receipt of actual notice under the conditions specified in section  
137.32 13D.04, subdivision 7, satisfies the notice requirements of this paragraph.

137.33 The board may classify or reclassify tax-forfeited lands at any regular or special  
137.34 meeting, as those terms are defined in chapter 13D, and may conduct only this business, or  
137.35 this business as well as other business or activities at the meeting.

138.1        (d) At the meeting, the county board must allow any person or agency possessing  
138.2 pertinent information to make or submit comments and recommendations about the  
138.3 pending classification or reclassification. In addition, representatives of governmental  
138.4 entities in attendance must be allowed to describe plans, ideas, or projects that may  
138.5 involve use or acquisition of the property by that or another governmental entity. The  
138.6 county board must solicit and consider any relevant components of current municipal or  
138.7 metropolitan comprehensive land use plans that incorporate the area in which the land  
138.8 is located. After allowing testimony, the board may classify, reclassify, or delay taking  
138.9 action on any parcel or parcels. In order for a state agency or a governmental subdivision  
138.10 of the state to preserve its right to request a purchase or other acquisition of a forfeited  
138.11 parcel, it may, at any time following forfeiture, file a written request to withhold the parcel  
138.12 from sale or lease to others under the provisions of subdivision 1a.

138.13        (e) When classifying, reclassifying, appraising, and selling lands under this chapter,  
138.14 the county board may designate the tracts as assessed and acquired, or may by resolution  
138.15 provide for the subdivision of the tracts into smaller units or for the grouping of several  
138.16 tracts into one tract when the subdivision or grouping is deemed advantageous for  
138.17 conservation or sale purposes. This paragraph does not authorize the county board to  
138.18 subdivide a parcel or tract of tax-forfeited land that, as assessed and acquired, is withheld  
138.19 from sale under section 282.018, subdivision 1.

138.20        (f) A county board may by resolution elect to use the classification and  
138.21 reclassification procedures provided in paragraphs (g), (h), and (i), instead of the  
138.22 procedures provided in paragraphs (b), (c), and (d). Once an election is made under this  
138.23 paragraph, it is effective for a minimum of five years.

138.24        (g) The classification or reclassification of tax-forfeited land that has not been sold or  
138.25 released from the trust may be made by the county board using information made available  
138.26 to it by any office or department of the federal, state, or local governments, or by any other  
138.27 person or agency possessing pertinent information at the time the classification is made.

138.28        (h) If the lands are located within the boundaries of an organized town or  
138.29 incorporated municipality, a classification or reclassification and sale must first be  
138.30 approved by the town board of the town or the governing body of the municipality in  
138.31 which the lands are located. The town board of the town or the governing body of the  
138.32 municipality is considered to have approved the classification or reclassification and sale  
138.33 if the county board is not notified of the disapproval of the classification or reclassification  
138.34 and sale within 60 days of the date the request for approval was transmitted to the town  
138.35 board of the town or governing body of the municipality. If the town board or governing  
138.36 body disapproves of the classification or reclassification and sale, the county board must

139.1 follow the procedures in paragraphs (c) and (d), with regard to the parcel, and must  
139.2 additionally cause to be published in a newspaper a notice of the date, time, location, and  
139.3 purpose of the required meeting.

139.4 (i) If a town board or a governing body of a municipality or a park and recreation  
139.5 board in a city of the first class desires to acquire any parcel lying in the town or  
139.6 municipality by procedures authorized in this section, it may file a written request under  
139.7 subdivision 1a, paragraph (a).

139.8 **EFFECTIVE DATE.** This section is effective July 1, 2010.

139.9 Sec. 2. Minnesota Statutes 2008, section 282.01, subdivision 1a, is amended to read:

139.10 Subd. 1a. **Conveyance; generally to public entities.** (a) Upon written request  
139.11 from a state agency or a governmental subdivision of the state, a parcel of unsold  
139.12 tax-forfeited land must be withheld from sale or lease to others for a maximum of six  
139.13 months. The request must be submitted to the county auditor. Upon receipt, the county  
139.14 auditor must withhold the parcel from sale or lease to any other party for six months, and  
139.15 must confirm the starting date of the six-month withholding period to the requesting  
139.16 agency or subdivision. If the request is from a governmental subdivision of the state, the  
139.17 governmental subdivision must pay the maintenance costs incurred by the county during  
139.18 the period the parcel is withheld. The county board may approve a sale or conveyance to  
139.19 the requesting party during the withholding period. A conveyance of the property to the  
139.20 requesting party terminates the withholding period.

139.21 A governmental subdivision of the state must not make, and a county auditor must  
139.22 not act upon, a second request to withhold a parcel from sale or lease within 18 months  
139.23 of a previous request for that parcel. A county may reject a request made under this  
139.24 paragraph if the request is made more than 30 days after the county has given notice to the  
139.25 requesting state agency or governmental subdivision of the state that the county intends to  
139.26 sell or otherwise dispose of the property.

139.27 (b) Nonconservation tax-forfeited lands may be sold by the county board, for  
139.28 their market value as determined by the county board, to an organized or incorporated  
139.29 governmental subdivision of the state for any public purpose for which the subdivision is  
139.30 authorized to acquire property or. When the term "market value" is used in this section, it  
139.31 means an estimate of the full and actual market value of the parcel as determined by the  
139.32 county board, but in making this determination, the board and the persons employed by or  
139.33 under contract with the board in order to perform, conduct, or assist in the determination,  
139.34 are exempt from the licensure requirements of chapter 82B.

(c) Nonconservation tax-forfeited lands may be released from the trust in favor of the taxing districts on application ~~of~~ to the county board by a state agency for an authorized use at not less than their market value as determined by the county board.

(d) Nonconservation tax-forfeited lands may be sold by the county board to an organized or incorporated governmental subdivision of the state or state agency for less than their market value if:

(1) the county board determines that a sale at a reduced price is in the public interest because a reduced price is necessary to provide an incentive to correct the blighted conditions that make the lands undesirable in the open market, or the reduced price will lead to the development of affordable housing; and

(2) the governmental subdivision or state agency has documented its specific plans for correcting the blighted conditions or developing affordable housing, and the specific law or laws that empower it to acquire real property in furtherance of the plans.

If the sale under this paragraph is to a governmental subdivision of the state, the commissioner of revenue must convey the property on behalf of the state by quit claim deed. If the sale under this paragraph is to a state agency, the commissioner must issue a conveyance document that releases the property from the trust in favor of the taxing districts.

(e) Nonconservation tax-forfeited land held in trust in favor of the taxing districts may be conveyed by the commissioner of revenue ~~may convey by deed~~ in the name of the state ~~a tract of tax-forfeited land held in trust in favor of the taxing districts~~ to a governmental subdivision for an authorized public use, if an application is submitted to the commissioner which includes a statement of facts as to the use to be made of the tract and the need therefor and the favorable recommendation of the county board. For the purposes of this paragraph, "authorized public use" means a use that allows an indefinite segment of the public to physically use and enjoy the property in numbers appropriate to its size and use, or is for a public service facility. Authorized public uses as defined in this paragraph are limited to:

(1) a road, or right-of-way for a road;

(2) a park that is both available to, and accessible by, the public that contains amenities such as campgrounds, playgrounds, athletic fields, trails, or shelters;

(3) trails for walking, bicycling, snowmobiling, or other recreational purposes, along with a reasonable amount of surrounding land maintained in its natural state;

(4) transit facilities for buses, light rail transit, commuter rail or passenger rail, including transit ways, park-and-ride lots, transit stations, maintenance and garage facilities, and other facilities related to a public transit system;

141.1        (5) public beaches or boat launches;

141.2        (6) public parking;

141.3        (7) civic recreation or conference facilities; and

141.4        (8) public service facilities such as fire halls, police stations, lift stations, water

141.5 towers, sanitation facilities, water treatment facilities, and administrative offices.

141.6 No monetary compensation or consideration is required for the conveyance, except as

141.7 provided in subdivision 1g, but the conveyance is subject to the conditions provided in

141.8 law, including, but not limited to, the reversion provisions of subdivisions 1c and 1d.

141.9        (f) The commissioner of revenue shall convey a parcel of nonconservation

141.10 tax-forfeited land to a local governmental subdivision of the state by quit claim deed

141.11 on behalf of the state upon the favorable recommendation of the county board if the

141.12 governmental subdivision has certified to the board that prior to forfeiture the subdivision

141.13 was entitled to the parcel under a written development agreement or instrument, but

141.14 the conveyance failed to occur prior to forfeiture. No compensation or consideration is

141.15 required for, and no conditions attach to, the conveyance.

141.16        (g) The commissioner of revenue shall convey a parcel of nonconservation

141.17 tax-forfeited land to the association of a common interest community by quit claim deed

141.18 upon the favorable recommendation of the county board if the association certifies to the

141.19 board that prior to forfeiture the association was entitled to the parcel under a written

141.20 agreement, but the conveyance failed to occur prior to forfeiture. No compensation or

141.21 consideration is required for, and no conditions attach to, the conveyance.

141.22        (h) Conservation tax-forfeited land may be sold to a governmental subdivision of the

141.23 state for less than its market value for either: (1) creation or preservation of wetlands;

141.24 (2) drainage or storage of storm water under a storm water management plan; or (3)

141.25 preservation, or restoration and preservation, of the land in its natural state. The deed must

141.26 contain a restrictive covenant limiting the use of the land to one of these purposes for

141.27 30 years or until the property is reconveyed back to the state in trust. At any time, the

141.28 governmental subdivision may reconvey the property to the state in trust for the taxing

141.29 districts. The deed of reconveyance is subject to approval by the commissioner of revenue.

141.30 No part of a purchase price determined under this paragraph shall be refunded upon a

141.31 reconveyance, but the amount paid for a conveyance under this paragraph may be taken

141.32 into account by the county board when setting the terms of a future sale of the same

141.33 property to the same governmental subdivision under paragraph (b) or (d). If the lands

141.34 are unplatted and located outside of an incorporated municipality and the commissioner

141.35 of natural resources determines there is a mineral use potential, the sale is subject to the

141.36 approval of the commissioner of natural resources.

142.1            (i) A park and recreation board in a city of the first class is a governmental  
142.2            subdivision for the purposes of this section.

142.3            **EFFECTIVE DATE.** This section is effective July 1, 2010.

142.4            Sec. 3. Minnesota Statutes 2008, section 282.01, subdivision 1b, is amended to read:

142.5            Subd. 1b. **Conveyance; targeted ~~neighborhood~~ community lands.** ~~(a)~~

142.6            Notwithstanding subdivision 1a, in the case of tax-forfeited lands located in a targeted  
142.7            ~~neighborhood~~, ~~as defined in section 469.201, subdivision 10~~ community in a city of the  
142.8            first class, the commissioner of revenue shall convey by quit claim deed in the name of the  
142.9            state any tract of tax-forfeited land held in trust in favor of the taxing districts, to a political  
142.10           subdivision of the state that submits an application to the commissioner of revenue and  
142.11           the favorable recommendation of the county board. For purposes of this subdivision, the  
142.12           term "targeted community" has the meaning given in section 469.201, subdivision 10,  
142.13           except that the land must be located within a first class city.

142.14           ~~(b) The application under paragraph (a) must include a statement of facts as to the~~  
142.15           ~~use to be made of the tract, the need therefor, and a resolution, adopted by the governing~~  
142.16           ~~body of the political subdivision, finding that the conveyance of a tract of tax-forfeited~~  
142.17           ~~land to the political subdivision is necessary to provide for the redevelopment of land as~~  
142.18           ~~productive taxable property. Deeds of conveyance issued under paragraph (a) are not~~  
142.19           ~~conditioned on continued use of the property for the use stated in the application.~~

142.20           **EFFECTIVE DATE.** This section is effective July 1, 2010.

142.21           Sec. 4. Minnesota Statutes 2008, section 282.01, subdivision 1c, is amended to read:

142.22           Subd. 1c. **Deed of conveyance; form; approvals.** The deed of conveyance for  
142.23           property conveyed for ~~a~~ an authorized public use under the authorities in subdivision  
142.24           1a, paragraph (e), must be on a form approved by the attorney general and must be  
142.25           conditioned on continued use for the purpose stated in the application as provided in this  
142.26           section. These deeds are conditional use deeds that convey a defeasible estate. Reversion  
142.27           of the estate occurs by operation of law and without the requirement for any affirmative  
142.28           act by or on behalf of the state when there is a failure to put the property to the approved  
142.29           authorized public use for which it was conveyed, or an abandonment of that use, except as  
142.30           provided in subdivision 1d.

142.31           **EFFECTIVE DATE.** This section is effective July 1, 2010.

142.32           Sec. 5. Minnesota Statutes 2008, section 282.01, subdivision 1d, is amended to read:

Subd. 1d. **Reverter for failure to use; conveyance to state.** (a) If after three years from the date of the conveyance a governmental subdivision to which tax-forfeited land has been conveyed for ~~a specified~~ an authorized public use as provided in ~~this section~~ subdivision 1a, paragraph (e), fails to put the land to that use, or abandons that use, the governing body of the subdivision ~~may,~~ must: (1) with the approval of the county board, purchase the property for an authorized public purpose at the present ~~appraised~~ market value as determined by the county board. ~~In that case, the commissioner of revenue shall, upon proper written application approved by the county board, issue an appropriate deed to the subdivisions free of a use restriction and reverter. The governing body may also, or~~ (2) authorize the proper officers to convey the land, or the part of the land not required for an authorized public use, to the state of Minnesota: in trust for the taxing districts. If the governing body purchases the property under clause (1), the commissioner of revenue shall, upon proper application submitted by the county auditor, convey the property on behalf of the state by quit claim deed to the subdivision free of a use restriction and the possibility of reversion or defeasement. If the governing body decides to reconvey the property to the state under this clause, the officers shall execute a deed of conveyance immediately. The conveyance is subject to the approval of the commissioner and its form must be approved by the attorney general. ~~A sale, lease, transfer, or other conveyance of tax-forfeited lands by a housing and redevelopment authority, a port authority, an economic development authority, or a city as authorized by chapter 469 is not an abandonment of use and the lands shall not be reconveyed to the state nor shall they revert to the state. A certificate made by a housing and redevelopment authority, a port authority, an economic development authority, or a city referring to a conveyance by it and stating that the conveyance has been made as authorized by chapter 469 may be filed with the county recorder or registrar of titles, and the rights of reverter in favor of the state provided by subdivision 1e will then terminate. No vote of the people is required for the conveyance.~~ For the purposes of this paragraph, there is no failure to put the land to the authorized public use and no abandonment of that use if a formal plan of the governmental subdivision, including, but not limited to, a comprehensive plan or land use plan that shows an intended future use of the land for the authorized public use.

(b) Property held by a governmental subdivision of the state under a conditional use deed executed under subdivision 1a, paragraph (e), by the commissioner of revenue on or after January 1, 2007, may be acquired by that governmental subdivision after 15 years from the date of the conveyance if the commissioner determines upon written application from the subdivision that the subdivision has in fact put the property to the authorized public use for which it was conveyed, and the subdivision has made a finding that it

has no current plans to change the use of the lands. Prior to conveying the property, the commissioner shall inquire whether the county board where the land is located objects to a conveyance of the property to the subdivision without conditions and without further act by or obligation of the subdivision. If the county does not object within 60 days, and the commissioner makes a favorable determination, the commissioner shall issue a quit claim deed on behalf of the state unconditionally conveying the property to the governmental subdivision. For purposes of this paragraph, demonstration of an intended future use for the authorized public use in a formal plan of the governmental subdivision does not constitute use for that authorized public use.

(c) Property held by a governmental subdivision of the state under a conditional use deed executed under subdivision 1a, paragraph (e), by the commissioner of revenue before January 1, 2007, is released from the use restriction and possibility of reversion on January 1, 2022, if the county board records a resolution describing the land and citing this paragraph. The county board may authorize the county treasurer to deduct the amount of the recording fees from future settlements of property taxes to the subdivision.

(d) All property conveyed under a conditional use deed executed under subdivision 1a, paragraph (e), by the commissioner of revenue is released from the use restriction and reverter, and any use restriction or reverter for which no declaration of reversion has been recorded with the county recorder or registrar of titles, as appropriate, is nullified on the later of: (1) January 1, 2015; (2) 30 years from the date the deed was acknowledged; or (3) final resolution of an appeal to district court under subdivision 1e, if a lis pendens related to the appeal is recorded in the office of the county recorder or registrar of titles, as appropriate, prior to January 1, 2015.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 6. Minnesota Statutes 2008, section 282.01, is amended by adding a subdivision to read:

**Subd. 1g. Conditional use deed fees.** (a) A governmental subdivision of the state applying for a conditional use deed under subdivision 1a, paragraph (e), must submit a fee of \$250 to the commissioner of revenue along with the application. If the application is denied, the commissioner shall refund \$150 of the application fee.

(b) The proceeds from the fees must be deposited in a Department of Revenue conditional use deed revolving fund. The sums deposited into the revolving fund are appropriated to the commissioner of revenue for the purpose of making the refunds described in this subdivision, and administering conditional use deed laws.



145.1 **EFFECTIVE DATE.** This section is effective for applications received by the  
145.2 commissioner after June 30, 2010.

145.3 Sec. 7. Minnesota Statutes 2008, section 282.01, is amended by adding a subdivision  
145.4 to read:

145.5 Subd. 1h. **Conveyance; form.** The instruments of conveyance executed and issued  
145.6 by the commissioner of revenue under subdivision 1a, paragraphs (c), (d), (e), (f), (g),  
145.7 and (h), and subdivision 1d, paragraph (b), must be on a form approved by the attorney  
145.8 general and are prima facie evidence of the facts stated therein and that the execution and  
145.9 issuance of the conveyance complies with the applicable laws.

145.10 **EFFECTIVE DATE.** This section is effective for deeds executed by the  
145.11 commissioner of revenue after June 30, 2010.

145.12 Sec. 8. Minnesota Statutes 2008, section 282.01, subdivision 2, is amended to read:

145.13 Subd. 2. **Conservation lands; county board supervision.** (a) Lands classified as  
145.14 conservation lands, unless reclassified as nonconservation lands, sold to a governmental  
145.15 subdivision of the state, designated as lands primarily suitable for forest production and  
145.16 sold as hereinafter provided, or released from the trust in favor of the taxing districts, as  
145.17 herein provided, will must be held under the supervision of the county board of the county  
145.18 within which such the parcels lie; and must not be conveyed or sold unless the lands are:

145.19 ~~The county board may, by resolution duly adopted, declare lands classified as~~  
145.20 ~~conservation lands as primarily suitable for timber production and as lands which should~~  
145.21 ~~be placed in private ownership for such purposes. If such action be approved by the~~  
145.22 ~~commissioner of natural resources, the lands so designated, or any part thereof, may be~~  
145.23 ~~sold by the county board in the same manner as provided for the sale of lands classified as~~  
145.24 ~~nonconservation lands. Such county action and the approval of the commissioner shall be~~  
145.25 ~~limited to lands lying within areas zoned for restricted uses under the provisions of Laws~~  
145.26 ~~1939, chapter 340, or any amendments thereof.~~

145.27 (1) reclassified as nonconservation lands;  
145.28 (2) conveyed to a governmental subdivision of the state under subdivision 1a;  
145.29 (3) released from the trust in favor of the taxing districts as provided in paragraph  
145.30 (b); or  
145.31 (4) conveyed or sold under the authority of another general or special law.

145.32 (b) The county board may, by resolution duly adopted, resolve that certain lands  
145.33 classified as conservation lands shall be devoted to conservation uses and may submit  
145.34 such a resolution to the commissioner of natural resources. If, upon investigation,

the commissioner of natural resources determines that the lands covered by ~~such the~~ resolution, or any part thereof, can be managed and developed for conservation purposes, the commissioner shall make a certificate describing the lands and reciting the acceptance thereof on behalf of the state ~~for such purposes~~. The commissioner shall transmit the certificate to the county auditor, who shall note the same upon the auditor's records and record the same with the county recorder. The title to all lands so accepted shall be held by the state free from any trust in favor of any and all taxing districts and ~~such the~~ lands shall be devoted thereafter to the purposes of forestry, water conservation, flood control, parks, game refuges, controlled game management areas, public shooting grounds, or other public recreational or conservation uses, and managed, controlled, and regulated ~~for such purposes~~ under the jurisdiction of the commissioner of natural resources and the divisions of the department.

(c) All proceeds derived from the sale of timber, lease of crops of hay, or other revenue from lands under the jurisdiction of the commissioner of natural resources shall be credited to the general fund of the state.

~~In case (d) If the commissioner of natural resources shall determine~~ determines that any tract of land ~~so held~~ acquired by the state under paragraph (b) and situated within or adjacent to the boundaries of any governmental subdivision of the state is suitable for use by ~~such the~~ subdivision for any authorized public purpose, the commissioner may convey ~~such the~~ tract by deed in the name of the state to ~~such the~~ subdivision upon the filing with the commissioner of a resolution adopted by a majority vote of all the members of the governing body thereof, stating the purpose for which the land is desired. The deed of conveyance shall be upon a form approved by the attorney general and must be conditioned upon continued use for the purpose stated in the resolution. ~~All proceeds derived from the sale of timber, lease of hay stumpage, or other revenue from such lands under the jurisdiction of the natural resources commissioner shall be paid into the general fund of the state.~~

(e) The county auditor, with the approval of the county board, may lease conservation lands remaining under the ~~jurisdiction~~ supervision of the county board and sell timber and hay stumpage thereon in the manner hereinafter provided, and all proceeds derived therefrom shall be distributed in the same manner as provided in section 282.04.

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 9. Minnesota Statutes 2008, section 282.01, subdivision 3, is amended to read:

Subd. 3. **Nonconservation lands; appraisal and sale.** (a) All parcels of land classified as nonconservation, except those which may be reserved, shall be sold as

provided, if it is determined, by the county board of the county in which the parcels lie, that it is advisable to do so, having in mind their accessibility, their proximity to existing public improvements, and the effect of their sale and occupancy on the public burdens. Any parcels of land proposed to be sold shall be first appraised by the county board of the county in which the parcels lie. The parcels may be reappraised whenever the county board deems it necessary to carry out the intent of sections 282.01 to 282.13.

(b) In an appraisal the value of the land and any standing timber on it shall be separately determined. No parcel of land containing any standing timber may be sold until the appraised value of the timber on it and the sale of the land have been approved by the commissioner of natural resources. The commissioner shall base review of a proposed sale on the policy and considerations specified in subdivision 1. The decision of the commissioner shall be in writing and shall state the reasons for it. The commissioner's decision is exempt from the rulemaking provisions of chapter 14 and section 14.386 does not apply. The county may appeal the decision of the commissioner in accordance with chapter 14.

(c) In any county in which a state forest or any part of it is located, the county auditor shall submit to the commissioner at least 60 days before the first publication of the list of lands to be offered for sale a list of all lands included on the list which are situated outside of any incorporated municipality. If, at any time before the opening of the sale, the commissioner notifies the county auditor in writing that there is standing timber on any parcel of ~~such~~ land, the parcel shall not be sold unless the requirements of this section respecting the separate appraisal of the timber and the approval of the appraisal by the commissioner have been complied with. The commissioner may waive the requirement of the 60-day notice as to any parcel of land which has been examined and the timber value approved as required by this section.

(d) If any public improvement is made by a municipality after any parcel of land has been forfeited to the state for the nonpayment of taxes, and the improvement is assessed in whole or in part against the property benefited by it, the clerk of the municipality shall certify to the county auditor, immediately upon the determination of the assessments for the improvement, the total amount that would have been assessed against the parcel of land if it had been subject to assessment; or if the public improvement is made, petitioned for, ordered in or assessed, whether the improvement is completed in whole or in part, at any time between the appraisal and the sale of the parcel of land, the cost of the improvement shall be included as a separate item and added to the appraised value of the parcel of land at the time it is sold. No sale of a parcel of land shall discharge or free the parcel of land from lien for the special benefit conferred upon it by reason of the public improvement

until the cost of it, including penalties, if any, is paid. The county board shall determine the amount, if any, by which the value of the parcel was enhanced by the improvement and include the amount as a separate item in fixing the appraised value for the purpose of sale. ~~In classifying, appraising, and selling the lands, the county board may designate the tracts as assessed and acquired, or may by resolution provide for the subdivision of the tracts into smaller units or for the grouping of several tracts into one tract when the subdivision or grouping is deemed advantageous for the purpose of sale. Each such smaller tract or larger tract must be classified and appraised as such before being offered for sale. If any such lands have once been classified, the board of county commissioners, in its discretion, may, by resolution, authorize the sale of the smaller tract or larger tract without reclassification.~~

**EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 10. Minnesota Statutes 2008, section 282.01, subdivision 4, is amended to read:

Subd. 4. **Sale: method, requirements, effects.** The sale authorized under subdivision 3 must be conducted by the county auditor at the county seat of the county in which the parcels lie, except that in St. Louis and Koochiching Counties, the sale may be conducted in any county facility within the county. The sale must not be for less than the appraised value except as provided in subdivision 7a. The parcels must be sold for cash only ~~and at not less than the appraised value~~, unless the county board of the county has adopted a resolution providing for their sale on terms, in which event the resolution controls with respect to the sale. When the sale is made on terms other than for cash only (1) a payment of at least ten percent of the purchase price must be made at the time of purchase, and the balance must be paid in no more than ten equal annual installments, or (2) the payments must be made in accordance with county board policy, but in no event may the board require more than 12 installments annually, and the contract term must not be for more than ten years. Standing timber or timber products must not be removed from these lands until an amount equal to the appraised value of all standing timber or timber products on the lands at the time of purchase has been paid by the purchaser. If a parcel of land bearing standing timber or timber products is sold at public auction for more than the appraised value, the amount bid in excess of the appraised value must be allocated between the land and the timber in proportion to their respective appraised values. In that case, standing timber or timber products must not be removed from the land until the amount of the excess bid allocated to timber or timber products has been paid in addition to the appraised value of the land. The purchaser is entitled to immediate possession, subject to the provisions of any existing valid lease made in behalf of the state.

149.1 For sales occurring on or after July 1, 1982, the unpaid balance of the purchase price  
149.2 is subject to interest at the rate determined pursuant to section 549.09. The unpaid balance  
149.3 of the purchase price for sales occurring after December 31, 1990, is subject to interest  
149.4 at the rate determined in section 279.03, subdivision 1a. The interest rate is subject to  
149.5 change each year on the unpaid balance in the manner provided for rate changes in section  
149.6 549.09 or 279.03, subdivision 1a, whichever, is applicable. Interest on the unpaid contract  
149.7 balance on sales occurring before July 1, 1982, is payable at the rate applicable to the sale  
149.8 at the time that the sale occurred.

149.9 **EFFECTIVE DATE.** This section is effective July 1, 2010.

149.10 Sec. 11. Minnesota Statutes 2008, section 282.01, subdivision 7, is amended to read:

149.11 Subd. 7. **County sales; notice, purchase price, disposition.** The sale must  
149.12 commence at the time determined by the county board of the county in which the parcels  
149.13 are located. The county auditor shall offer the parcels of land in order in which they  
149.14 appear in the notice of sale, and shall sell them to the highest bidder, but not for a sum  
149.15 less than the appraised value, until all of the parcels of land have been offered. Then the  
149.16 county auditor shall sell any remaining parcels to anyone offering to pay the appraised  
149.17 value, except that if the person could have repurchased a parcel of property under section  
149.18 282.012 or 282.241, that person may not purchase that same parcel of property at the sale  
149.19 under this subdivision for a purchase price less than the sum of all taxes, assessments,  
149.20 penalties, interest, and costs due at the time of forfeiture computed under section 282.251,  
149.21 and any special assessments for improvements certified as of the date of sale. The sale  
149.22 must continue until all the parcels are sold or until the county board orders a reappraisal or  
149.23 withdraws any or all of the parcels from sale. The list of lands may be added to and the  
149.24 added lands may be sold at any time by publishing the descriptions and appraised values.  
149.25 The added lands must be: (1) parcels of land that have become forfeited and classified  
149.26 as nonconservation since the commencement of any prior sale; (2) parcels classified as  
149.27 nonconservation that have been reappraised; (3) parcels that have been reclassified as  
149.28 nonconservation; or (4) other parcels that are subject to sale but were omitted from the  
149.29 existing list for any reason. The descriptions and appraised values must be published in  
149.30 the same manner as provided for the publication of the original list. Parcels added to the  
149.31 list must first be offered for sale to the highest bidder before they are sold at appraised  
149.32 value. All parcels of land not offered for immediate sale, as well as parcels that are offered  
149.33 and not immediately sold, continue to be held in trust by the state for the taxing districts  
149.34 interested in each of the parcels, under the supervision of the county board. Those parcels  
149.35 may be used for public purposes until sold, as directed by the county board.

150.1        **EFFECTIVE DATE.** This section is effective July 1, 2010.

150.2        Sec. 12. Minnesota Statutes 2008, section 282.01, subdivision 7a, is amended to read:

150.3        Subd. 7a. **City sales; alternate procedures.** Land located in a home rule charter  
150.4        or statutory city, or in a town which cannot be improved because of noncompliance with  
150.5        local ordinances regarding minimum area, shape, frontage or access may be sold by the  
150.6        county auditor pursuant to this subdivision if the auditor determines that a nonpublic sale  
150.7        will encourage the approval of sale of the land by the city or town and promote its return  
150.8        to the tax rolls. If the physical characteristics of the land indicate that its highest and best  
150.9        use will be achieved by combining it with an adjoining parcel and the city or town has not  
150.10       adopted a local ordinance governing minimum area, shape, frontage, or access, the land  
150.11       may also be sold pursuant to this subdivision. If the property consists of an undivided  
150.12       interest in land or land and improvements, the property may also be sold to the other  
150.13       owners under this subdivision. The sale of land pursuant to this subdivision shall be  
150.14       subject to any conditions imposed by the county board pursuant to section 282.03. The  
150.15       governing body of the city or town may recommend to the county board conditions to be  
150.16       imposed on the sale. The county auditor may restrict the sale to owners of lands adjoining  
150.17       the land to be sold. The county auditor shall conduct the sale by sealed bid or may select  
150.18       another means of sale. The land shall be sold to the highest bidder ~~but in no event shall the~~  
150.19       ~~land and may~~ be sold for less than its appraised value. All owners of land adjoining the  
150.20       land to be sold shall be given a written notice at least 30 days prior to the sale.

150.21       This subdivision shall be liberally construed to encourage the sale and utilization  
150.22       of tax-forfeited land, to eliminate nuisances and dangerous conditions and to increase  
150.23       compliance with land use ordinances.

150.24       **EFFECTIVE DATE.** This section is effective July 1, 2010.

150.25       Sec. 13. Minnesota Statutes 2008, section 282.01, is amended by adding a subdivision  
150.26       to read:

150.27       Subd. 12. **Notice; public hearing for use change.** If a governmental subdivision  
150.28       that acquired a parcel for public use under this section later determines to change the use,  
150.29       it must hold a public hearing on the proposed use change. The governmental subdivision  
150.30       must mail written notice of the proposed use change and the public hearing to each owner  
150.31       of property that is within 400 feet of the parcel at least ten days and no more than 60 days  
150.32       before it holds the hearing. The notice must identify: (1) the parcel, (2) its current use,  
150.33       (3) the proposed use, (4) the date, time, and place of the public hearing, and (5) where

151.1 to submit written comments on the proposal and that the public is invited to testify at  
151.2 the public hearing.

151.3 **EFFECTIVE DATE.** This section is effective July 1, 2010, and applies to a change  
151.4 in use of a parcel acquired under section 282.01, whether acquired by the governmental  
151.5 subdivision before or after the effective date of this section.

151.6 Sec. 14. **REPEALER.**

151.7 Minnesota Statutes 2008, sections 282.01, subdivisions 9, 10, and 11; and 383A.76,  
151.8 are repealed.

151.9 **EFFECTIVE DATE.** This section is effective July 1, 2010.

151.10 **ARTICLE 7**

151.11 **MISCELLANEOUS**

151.12 Section 1. Minnesota Statutes 2008, section 270C.34, subdivision 1, is amended to read:

151.13 Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any  
151.14 penalty or interest that is imposed by a law administered by the commissioner, or imposed  
151.15 by section 270.0725, subdivision 1 or 2, as a result of the late payment of tax or late  
151.16 filing of a return, if the failure to timely pay the tax or failure to timely file the return is  
151.17 due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster  
151.18 or in a presidentially declared state of emergency area or in an area declared to be in a  
151.19 state of emergency by the governor under section 12.31.

151.20 (b) The commissioner shall abate any part of a penalty or additional tax charge  
151.21 under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous  
151.22 advice given to the taxpayer in writing by an employee of the department acting in  
151.23 an official capacity, if the advice:

151.24 (1) was reasonably relied on and was in response to a specific written request of the  
151.25 taxpayer; and

151.26 (2) was not the result of failure by the taxpayer to provide adequate or accurate  
151.27 information.

151.28 ~~(c) The commissioner may abate a penalty imposed under section 270.0725,~~  
151.29 ~~subdivision 1 or 2, if the failure to timely file is due to reasonable cause, or if the airline~~  
151.30 ~~company is located in a presidentially declared disaster area.~~

151.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2008, section 270C.52, subdivision 2, is amended to read:

Subd. 2. **Payment agreements.** (a) When any portion of any tax payable to the commissioner together with interest and penalty thereon, if any, has not been paid, the commissioner may extend the time for payment for a further period. When the authority of this section is invoked, the extension shall be evidenced by written agreement signed by the taxpayer and the commissioner, stating the amount of the tax with penalty and interest, if any, and providing for the payment of the amount in installments.

(b) The agreement may contain a confession of judgment for the amount and for any unpaid portion thereof. If the agreement contains a confession of judgment, the confession of judgment must provide that the commissioner may enter judgment against the taxpayer in the district court of the county of residence as shown upon the taxpayer's tax return for the unpaid portion of the amount specified in the extension agreement.

(c) The agreement shall provide that it can be terminated, after notice by the commissioner, if information provided by the taxpayer prior to the agreement was inaccurate or incomplete, collection of the tax covered by the agreement is in jeopardy, there is a subsequent change in the taxpayer's financial condition, the taxpayer has failed to make a payment due under the agreement, or the taxpayer has failed to pay any other tax or file a tax return coming due after the agreement.

(d) The notice must be given at least 14 calendar days prior to termination, and shall advise the taxpayer of the right to request a reconsideration from the commissioner of whether termination is reasonable and appropriate under the circumstances. A request for reconsideration does not stay collection action beyond the 14-day notice period. If the commissioner has reason to believe that collection of the tax covered by the agreement is in jeopardy, the commissioner may proceed under section 270C.36 and terminate the agreement without regard to the 14-day period.

(e) The commissioner may accept other collateral the commissioner considers appropriate to secure satisfaction of the tax liability. The principal sum specified in the agreement shall bear interest at the rate specified in section 270C.40 on all unpaid portions thereof until the same has been fully paid or the unpaid portion thereof has been entered as a judgment. The judgment shall bear interest at the rate specified in section 270C.40.

(f) If it appears to the commissioner that the tax reported by the taxpayer is in excess of the amount actually owing by the taxpayer, the extension agreement or the judgment entered pursuant thereto shall be corrected. If after making the extension agreement or entering judgment with respect thereto, the commissioner determines that the tax as reported by the taxpayer is less than the amount actually due, the commissioner shall assess a further tax in accordance with the provisions of law applicable to the tax.



153.1 (g) The authority granted to the commissioner by this section is in addition to any  
153.2 other authority granted to the commissioner by law to extend the time of payment or the  
153.3 time for filing a return and shall not be construed in limitation thereof.

153.4 (h) The commissioner shall charge a fee for entering into payment agreements  
153.5 that reflects the commissioner's costs for entering into payment agreements. The fee is  
153.6 initially set at \$25 and is adjusted annually as necessary. The fee is charged for entering  
153.7 into a payment agreement, for entering into a new payment agreement after the taxpayer  
153.8 has defaulted on a prior agreement, and for entering into a new payment agreement as  
153.9 a result of renegotiation of the terms of an existing agreement. The fee is paid to the  
153.10 commissioner before the payment agreement becomes effective and does not reduce  
153.11 the amount of the liability.

153.12 By June 1 of each year, the commissioner shall determine the cost to the  
153.13 commissioner for entering into payment agreements during the fiscal year and adjust the  
153.14 payment agreement fee as necessary to most nearly equal those costs. Determination  
153.15 of the fee for payment agreements under this section is not subject to the fee setting  
153.16 requirements of section 16A.1283.

153.17 **EFFECTIVE DATE.** This section is effective for payment agreements entered  
153.18 into or renegotiated after June 30, 2010.

153.19 Sec. 3. **APPROPRIATION.**

153.20 \$3,200,000 is appropriated from the general fund to the commissioner of  
153.21 management and budget for transfer to the cash flow account established under Minnesota  
153.22 Statutes, section 16A.152.

APPENDIX  
Article locations in s3327-1

	INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND	
ARTICLE 1	ESTATE TAXES .....	Page.Ln 2.14
ARTICLE 2	SALES AND USE TAXES .....	Page.Ln 34.24
ARTICLE 3	SPECIAL TAXES .....	Page.Ln 65.14
ARTICLE 4	PROPERTY TAXES AND AIDS .....	Page.Ln 73.6
ARTICLE 5	PUBLIC FINANCE; LOCAL DEVELOPMENT .....	Page.Ln 119.1
ARTICLE 6	CONDITIONAL USE DEEDS .....	Page.Ln 135.29
ARTICLE 7	MISCELLANEOUS .....	Page.Ln 151.10